

ANDREW P MUIR

“COMPLETING THE PERFORMANCE JIGSAW”

IMPROVING MANAGERIAL CONTROL AND
ENHANCING ORGANISATIONAL PERFORMANCE
THROUGH THE INTRODUCTION OF A WIDE
RANGE OF PERFORMANCE MEASURES : A
LONGITUDINAL STUDY IN A SCOTTISH LOCAL
AUTHORITY



UNIVERSITY
of
ABERTAY DUNDEE

ANDREW P MUIR, DMS, MBA

A thesis submitted in partial fulfilment of the requirement of the University of Abertay for the degree of Doctor of Business Administration.

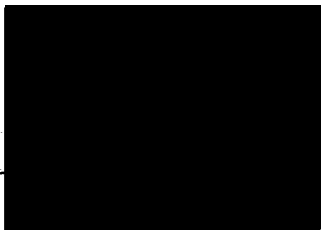
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I certify that this thesis is a true and accurate version of the thesis approved by the examiners.

Director of Studies: Dr W S Howe, BA, MSc, PhD, Dip Ed
Dundee Business School
University of Abertay Dundee

Research Supervisor: R Kerley, BA
Director, Full Time MBA Programme
Management School
University of Edinburgh

Signed:



Date :

1/4/01

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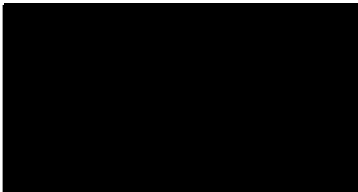
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VII ABBREVIATIONS, SYMBOLS AND NOTATIONS

ABCB	Association of British Certification Bodies
APM	Aggregated Performance Measures
BEST SCHEME	Budget Employee Savings Targets Scheme
BS5750/EN2900/ ISO9000	Quality Systems - Model for quality assurance in design, development, production, installation and servicing (British Standards Institute, 2 Park Street, London, W1A 2BS)
CCT	Compulsory Competitive Tendering
COSLA	Confederation of Scottish Local Authorities
DLO	Direct Labour Organisation
DSO	Direct Service Organisation
EFQM	European Foundation for Quality Management
FACE	Facilitated Assessment for Chief Executives
FIT	Focus Improvement Team
HR	Human Resources
KPI's	Key Performance Indicators
P+I=C	Participation + Involvement = Commitment
PBR	Payment By Results
PI's	Performance Indicators
SPI's	Statutory Performance Indicators
ST	Statutory Target (Breakeven - Income / Expenditure)
UIR	Universally Indexed Results
V=C+R+E+M+S	Values to Stakeholders = Customer Satisfaction + Resource Effectiveness + Employee Satisfaction + Market Effectiveness + Stipulated Ethical and Environmental Dimensions

VIII ABSTRACT

Organisations today are becoming increasingly complex, both internally in terms of structures and externally in respect of their strategies, and management perceive conventional performance measures alone as being inadequate for appraisal or control. Many examples are cited where the system of performance review has shed light on the real drivers of value in organisations, thus indicating profound changes in the business process.

The purpose of this research is to investigate the outcomes of introducing a range of performance measures, both financial and non-financial, as a means of improving managerial control and enhancing organisational performance in the public sector. The research has focused on a number of direct labour organisations/services within one Scottish local authority (the Council) and included the investigation of performance measures in the areas of quality, innovation, productivity, employee co-operation, and the more traditional measure of profitability (statutory target). Issues surrounding the transfer of private sector techniques into the public sector organisations are also considered, as is the evolving nature of local authority management. The research findings, conducted over a four year period (1996-1999), are based upon the results of longitudinal surveys undertaken during that period.

The research also incorporates the results from a similar survey carried out by the Accounts Commission in 1998, into all local authority direct labour organisations in Scotland. This latter survey provided an overview of these organisations and examined specifically their management arrangements, financial position and how they monitor and control their finance. The results of this Accounts Commission survey were further supplemented by the findings of a subsequent detailed investigation by the Commission in 1998 of the local authority with the largest DLO financial deficit in Scotland. The outcomes from both of these Accounts Commission surveys were used to compare and contrast the research outcomes of introducing a performance management regime into the Council, using a wide range of performance measures, and to illustrate the benefits of adopting such a strategy.

Finally, the research describes how certain frameworks were developed to assist with the implementation of the performance management regime and to help implement a number of other initiatives relating to the regime. These other initiatives have been included in the thesis in order to place the performance management regime in context and to highlight the complexity of the situation. Indeed, the complexity of the situation has made the conduct of the research in itself complex and multifaceted. This has in turn, given a unique insight into the development of a performance management regime over time and provided an array of converging evidence upon which to base the research survey conclusions. It is anticipated that these conclusions, along with the development of the frameworks, in particular the Focus Improvement Team (FIT) concept, will contribute significantly to the enhancement of professional practice in the area of public sector performance management.

Metaphorically speaking, it could be said that the Focus Improvement Team concept was used to FIT together various pieces of the Performance Jigsaw in order to provide a comprehensive picture of organisational performance. This picture (see Figure 12 below) helped to tell the story of the organisation by depicting elements of the past, present and future potential performance, which provided a basis for better understanding and organisational learning. This picture and the use of a wide range of performance measures, also helped to improve managerial control and enhance organisational performance of the DLO's/DSO's in the Council.

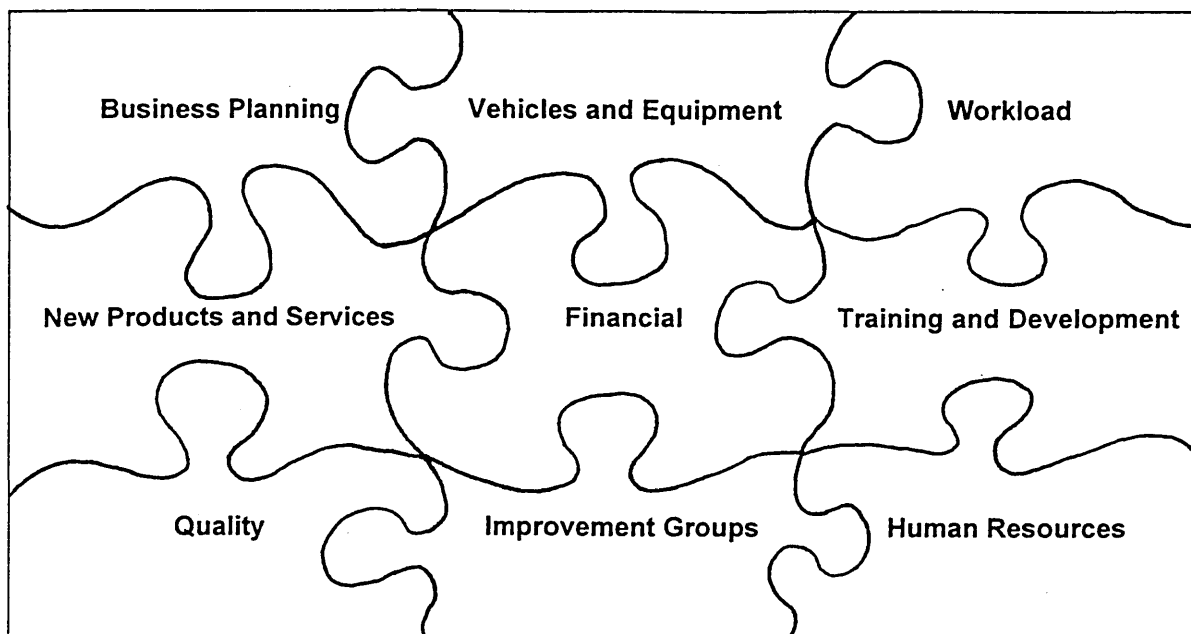


Figure 13 – The Council’s DLO/DSO Performance Jigsaw

It should be noted that in the Jigsaw the Financial measure is shown as the centre piece to emphasise its importance and to illustrate that all other measures link into it. The four measures shown as corner pieces (Business Planning, Workload, Human Resources and Quality) help to emphasise the relative importance of these measures over the other performance indicators.

CHAPTER 1

CHAPTER 1 - INTRODUCTION

Aims and Objectives

The purpose of the research was to investigate the outcomes of introducing a range of performance measures, both financial and non-financial, as a means of improving managerial control and enhancing organisational performance. The research has focused on a number of direct labour organisations within one Scottish local authority and includes the investigation of performance measures in the areas of quality, innovation, productivity, employee co-operation, and the more traditional measure, of profitability (statutory target). Issues surrounding the transfer of private sector techniques into the public sector organisations are also considered, as is the evolving nature of local authority management. The research, conducted over a four year period (1996 - 1999), incorporates the results from several longitudinal surveys undertaken during that period.

The research, although based on a single case study, is complex and, as a consequence, has been carried out under three separate but clearly connected activities. Activity (1) the development of the performance management regime, Activity (2) the development of quality assurance as a specific element of the performance management regime, and Activity (3) the development of supplementary initiatives, including the introduction of the European Federation of Quality Management (EFQM) model within the Council.

The research also incorporates the results from a survey carried out by the Accounts Commission (SR 98/1 Controller of Audit 1998) into all local authority direct labour/ service organisations in Scotland. This survey provided an overview of these organisations and examined specifically their management arrangements, financial position and how they monitor and control their finance. The results from this Accounts Commission survey were further supplemented by the findings of a subsequent detailed investigation by the Commission (SR 98/2 Controller of Audit 1998) of the local authority with the largest DLO financial deficit in Scotland. The outcomes from both these Accounts Commission surveys were used to compare and contrast the research outcomes of introducing a performance management regime into the Council, using a wide range of performance measures, and to illustrate the benefits from adopting such a strategy.

Finally, the research highlights how certain frameworks were developed to assist with the implementation of the performance management regime, and how these contributed to the success of that implementation. It is anticipated that the development of these frameworks, along with the results from the research surveys, will add significantly to the enhancement of professional practice in the area of public sector performance management.

The Organisation

The Scottish local authority (referred to as 'the Council') in which the research was undertaken, was created in 1996 as a result of local government reorganisation. The Council was one of 32 single-tier authorities to emerge from what were previously Regional Councils, Island Councils and District Councils. The reorganisation had significant implications for the structure and functions for these Councils, none more so that the direct labour/direct service organisations (DLO's/DSO's). Some of the DLO's/ DSO's were aggregated whilst the others were disaggregated. Whether increasing or decreasing in size, however, the effect on all these organisations was the same. There was a need to review, rationalise and, where possible, standardise working practices and conditions of service.

In the Council, which was one of the aggregated authorities and also one of the largest in Scotland, the DLO's/DSO's came under the umbrella of its Competitive and Technical Strategy Sector. This Sector consisted of nine different services (Roads Service, Supplies and Printing Service, Property Services, Roads Direct Labour Organisation, Building Operations Service, Cleansing and Waste Management Service, Domestic Services, Transport Services, and Grounds Maintenance Service), employed more than 5,000 people and had a combined annual spend in excess of £160 million (approximately 40% of the Council's total annual spend of £400 million).

Council Structure

The Competitive and Technical Strategy Sector was one of three key strategic areas of the Council which linked into a central core headed by the Chief Executive. The other two strategic areas were those of the Social Strategy Sector

and the Environmental and Development Strategy Sector. The purpose of creating these strategic areas was to:

- be able to co-ordinate groups of services which related to identifiable interests (eg children, unemployed people, elderly people), but which could not be focused on a single professional department. Potentially it enabled the Council to be more customer driven;
- ensure that the corporate direction of the Council was reflected in the type of services provided and the way in which they were provided;
- allow a high level of corporate support to be given to elected members, to the Chief Executive and to other key staff (eg Corporate Policy and Communications);
- ensure that the Council was one organisation and not many organisations as it had major services; and
- allow different professional and service perspectives to be addressed in a more co-ordinated and focused way.

FIGURE 1 shows the overall structure of the Council and illustrates clearly the central core of the organisation and its link to the Competitive and Technical Strategy Sector. This structure was chosen over a conventional hierarchical structure because it was considered to be most suitable to fulfil the overall aims and values of the Council.

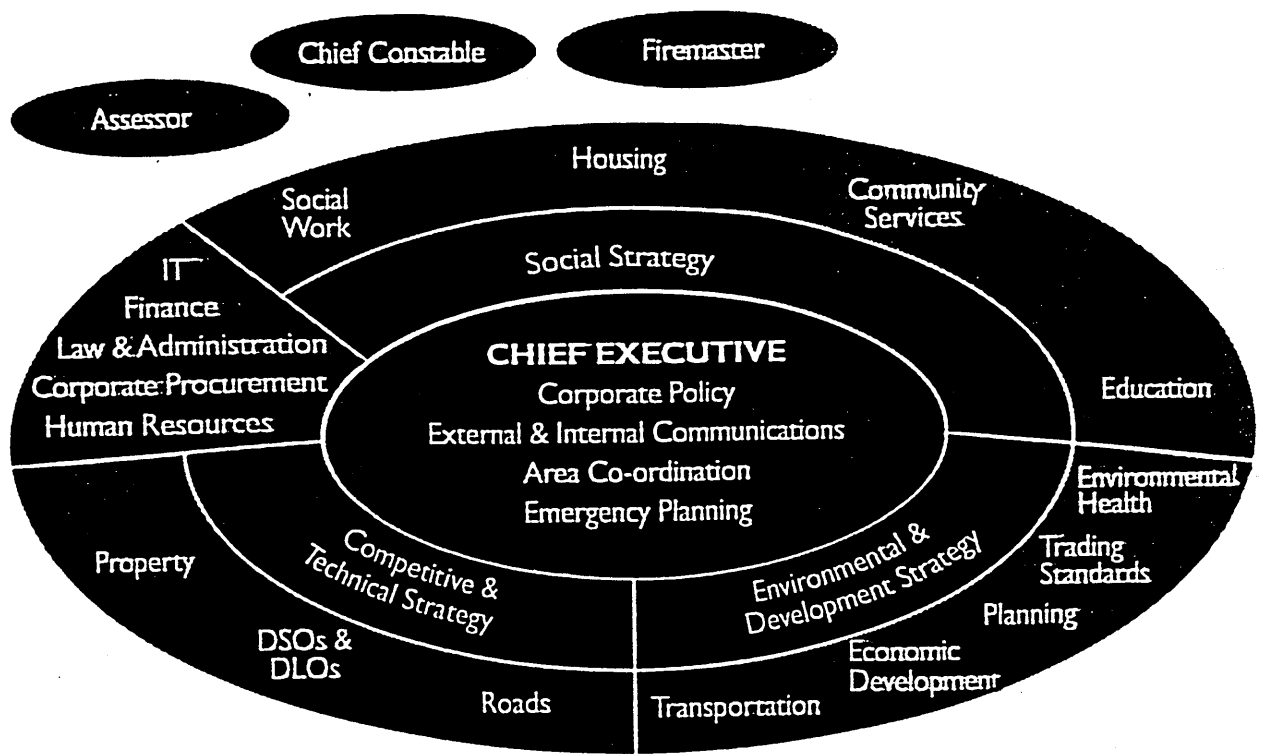


Figure 1 - Overall Structure Of The Council

The Council's Aims And Values

In April 1995 shadow Councils were elected in order to prepare the way for the new Councils and enable them to operate effectively from day one :1 April 1996. In the Council a process was initiated to review the services, functions and methods of delivery of all existing Councils (3 District Councils and 1 Regional Council) which would make up the new organisation. The Council wished to avoid the temptation to agree decision making and management structures "at an early stage" in order to take a more studied approach and to make recommendations accordingly.

The Council prepared, for public comment, a draft Corporate Values Statement which set out the style and ethos which the Council wished to adopt. It also initiated a major exercise in May 1995, in which twelve service working groups and five strategic working groups were formed and asked to prepare reports on defined issues by the end of June 1995. It was from these processes that the Council's corporate aims and values were formulated and published in April 1996. These were as follows:

Openness And Accountability - the Council would establish a close partnership with the public. To be meaningful, information would need to be

freely available and the Council would need to be committed to opening services up to public scrutiny and comment (Communication and Transparency).

Participation And Involvement - the Council believed that the quality of its decisions could only be improved through the involvement of the public and staff (Partnerships and Team Working).

Quality And Equality - the Council was committed to providing high quality services to the public. It would ensure the needs of everyone in the community were taken into account and would target resources and efforts towards areas facing greatest disadvantage. The Council would also ensure through its management arrangements and processes that performance was monitored, evaluated and publicised (Performance Management).

Devolved Decision Making - the Council was committed to providing services at a local level. Decentralisation would mean that decisions were taken at a local level and staff and managers were working on behalf of these communities (Empowerment).

Learning and Development - the Council was aiming to be a forward looking organisation which was open to ideas, not afraid to innovate and try new solutions and which was willing to admit and learn from its mistakes. The Council was committed to providing development opportunities for staff and to working through a partnership between staff, trade unions and members to ensure that the organisation developed new ways of working so that it could continue to provide effective leadership for the public at large (A Learning Organisation).

It is interesting to note the emphasis placed on the aims and values and the uniqueness of organisation structure designed to support them by the Council's Chief Executive:

"From day one, the Council will be unique in Scotland because of the way it is to be run. The Council intends to work in new ways to deliver services and

meet the needs of the people. The Council wants to move away from the situation where everything is decided at the centre and where departments work in isolation from each other. Team working through partnership between elected members, managers and staff will be the norm throughout the Council and the structure is specifically designed to achieve this with its emphasis on corporate and area working. Three sectors have been created to ensure that services work more effectively together and as part of an overall strategy for the Council. By drawing services together and looking at people's overall needs, these sectors will also mean that the Council provides more efficient and effective services. The structure also introduces decentralisation from the very beginning. Decentralisation is about improving service quality, reflecting local needs, bringing services closer to the people, promoting local identity and local leadership, and breaking down old fashioned bureaucratic, department and professional barriers" (Employee Information Guide, 1996).

Services Within The Competitive and Technical Strategy Sector

In support of the Corporate aims and values each Service within the Competitive and Technical Strategy Sector drew up business plans during 1996. These plans related to the specific activities of each Service and covered the key issues of the business planning process, ie Business Background, Aims and Objectives, Products and Services, the Market, Marketing, Sales/Service Delivery, Financial Plan, Opportunities and Threats, Timetable and Deadlines. All of the plans made reference to the measurement of performance in order to embrace the need for economy, efficiency and effectiveness of service provision. To give some indication of the diversity of the services provided within the sector, a short resume is listed below (Turnover and employee numbers are as at April 1996).

Roads Service - looks after 2,200 km of roads and 47,000 street lights. It also maintains 13 harbours and piers. It inspects roads, footways and bridges and oversees grass cutting, gully cleaning and repairs to paths and streetlights. It designs new roads, bridges, car parks and traffic calming schemes. It has an emergency control service and runs a material testing laboratory in its Support Division. (Turnover £24 M, 213 employees).

Supplies and Printing Service - the two parts of this service cover every area of the Council. Supplies Division provides vehicles, food, repair and maintenance contracts, uniform clothing, etc. The Printing Division has the latest technology and provides type setting and graphic design facilities. (Turnover £33 M, 65 employees).

Property Services - four sections make up this service which looks after the Council's land and buildings. The first, Property Management maintains land and buildings, inspects facilities and commissions repairs and alterations. Client Services monitors costs and writes project briefs. The Design Service handles every aspect of design and renovation. Estates deals with acquiring, managing and leasing land and property. (Turnover £34.8 M, 208 employees).

Roads DLO - exists to provide a competitive and high quality construction, installation and emergency service for road and footpath users. Its work includes: building and mending roads, footways and bridges; installing and maintaining street lights; manufacturing and erecting road signs; salting and snow clearing. (Turnover £16 M, 220 employees).

Building Operations Service - the one thousand employees of this Service do repairs and alterations to homes and public buildings, gas service contracts and other large and small contracts mainly for the Council, but also for housing associations, colleges and hospitals. (Turnover £33 M, 1,047 employees).

Cleansing and Waste Management Service - familiar tasks like street sweeping and emptying the bins mark out this Service. It also looks after community recycling centres, waste paper baling plants and waste paper sites. It has its own composting plant and manages landfill sites. (Turnover £13.3 M, 572 employees).

Domestic Services - this Service regularly cleans 380 buildings as well as providing catering and other services for schools - at over 200 different locations - cooking and serving over 5 million meals a year. It has ISO 9002 award for quality and has 1,300 cleaners and 900 caterers. (Turnover £12.5 M, 2,130 employees).

Transport Services - this Service looks after 2,155 vehicles and items of plant and is responsible for the maintenance repair, fuelling and licensing of everything from road gritters to cars. The Service also handles the short-term hiring of vehicles and plant and trains drivers and operators, when required. (Turnover £9.2 M, 106 employees).

Grounds Maintenance Service - this Service is responsible for improving and maintaining the environment in which we live, which includes recreation areas, playing fields, beaches, public open spaces and public parks. It also has responsibility for developing cemeteries and churchyards, including the burial administration and the control of burial records. (Turnover £9.5 M, 482 employees).

Research Questions

It can be seen from the above just how diverse the Services were within the Council's Competitive and Technical Strategy Sector. The fact that four organisations (3 District Councils and 1 Regional Council) merged into one, merely added to the problems. Galvanising these services into a coherent, efficient and effective business sector of the Council was the main objective of the Corporate Manager heading up the Sector, and the main change mechanism employed to achieve this was to introduce a performance management culture based on a wide range of performance measures. It is the introduction of these performance measures and their success as a change initiative that is the basis of the research.

The research seeks to address the general question:

- How useful are performance management systems in delivering and controlling organisational performance?

and more specifically:

- What are the key features of performance management systems in local authorities? What should they look like?

- What is meant by organisational performance in a local authority context? How should this be organisationalised and measured?
- What are the linkages and intervening variables between performance management systems on the one hand and organisational outcomes on the other hand?

In answering these key questions the research takes into account the results from investigations carried out by the Accounts Commission (SR 98/1 and SR/98/2 Controller of Audit 1998) which examined the DLO's/DSO's throughout Scotland in some detail. The results of these investigations were used to compare and contrast other DLO's/DSO's in Scotland, in particular the local authority DLO/DSO with the largest deficit, against that of the Council, and used these comparators to illustrate the benefits of introducing a performance management strategy, using a wide range of performance measures. Issues surrounding the transfer of private sector techniques into the public sector organisations are also considered, as is the evolving nature of local authority management.

Finally, the research highlights how certain frameworks were developed to assist with the implementation of the performance management regime, and how these contributed to the success of that implementation. It is anticipated that the development of these frameworks, along with the results from the research surveys, will add significantly to the enhancement of professional practice in the area of public sector performance management. Indeed, this enhancement to professional practice is almost a prerequisite of a DBA. This is to say that DBA research in relation to that of a PhD has been described (Management Extra, a research article by Jaswinder Hayer, 1997, commissioned by the Association of MBA's) as follows:

"The PhD is purposely designed for academic life, whereas the DBA is designed to overcome the limitations of the PhD, as perceived by industry, by virtue of its practical orientations" – Dr Paul Dobson, University of Nottingham.

“The DBA is primarily designed to enable a significant contribution to the enhancement of professional practice in the business area through the application and development of theoretical frameworks” – Association of Business Schools Guidelines.

From these perceptions it can be concluded that the DBA is about practical research in the business area in order to make a significant contribution to professional practice. It should also be added, that the practical contribution made by the researcher to the management change process within the Council’s DLO’s/DSO’s was also significant, and this has provided a unique insight into the implementation and development of a performance management regime, using a wide range of measures, as a means of improving managerial control and enhancing organisational performance.

CHAPTER 2

CHAPTER 2 - BACKGROUND, HISTORY AND LITERATURE REVIEW

Introduction

The purpose of this chapter is to consider the background and history of performance management and, performance measurement in particular, in local authority direct labour organisations. A literature review relating to the research and more specifically the literature relating to the research questions is provided. In addition, because of the range of supplementary factors which have a bearing on the implementation of the performance management regime, it is considered necessary also to review the literature relating to these factors in order to provide a more comprehensive picture of the issues influencing the outcomes of the research.

Prior to examining the background and history of performance management in local authority direct labour organisations it is important to define what is meant by performance management and to consider why there is a need to manage performance in the first place. The Concise Oxford Dictionary defines *“performance”* as *“achievement under test conditions”*, and defines *“management”* as *“the professional administration of business concerns”*. By combining both definitions it could be said that *“performance management”* is *“achievement under test conditions of the professional administration of business concerns”*.

In order to create these *“test conditions”* in the context of the business environment there must be measurement and review. Indeed, performance management has been described as *“the combination of a range of management techniques, including measurement and review, which when collectively and effectively used, will improve the overall performance of the organisation and the individuals within it”* (Urwin, 1992).

Background and History

General

Performance management is synonymous with management and has existed in some form or other for thousands of years. It was, however, with the emergence of Scientific Management at the beginning of the twentieth century, the name given to a philosophy of management developed in America, that the elements of performance management came to prominence. Scientific management was essentially an engineering rationale, a relatively mechanistic approach to management which has its basic philosophies drawn from economic theory particularly those of financial motivation and profit maximisation. The pioneer of this movement was F W Taylor (1911), with major contributions from H L Gantt, F B Gilbreth and Mrs P M Gilbreth, H Emerson and M LCooke, etc. (Pugh and Hickson, 1989; Pindur, Rogers and Kim, 1995).

The key elements of the scientific management (Taylor, 1911) approach were:

- The development of standardised methods and conditions to replace rule of thumb.
- The need for management to plan and control work and work methods instead of allowing individual workers to proceed according to their own ideas.
- The selection and training of workers.
- The setting of clearly defined, well measured tasks for workers.
- The use of direct financial incentives.
- The use of experts (called functional foremen) to establish the best conditions for efficient production eg methods, machine speeds, etc.

Although many criticisms have been made of the scientific management approach, and subsequent theories of management have caused substantial modifications, many of the views of Taylor and his contemporaries are still widely accepted and the movement has had a substantial and continuing influence on management practice.

Some of the criticisms made of the scientific management approach were that there was too much concentration on the detailed aspects of production at the

shop floor level and not enough upon the organisation and the way management itself was organised. The Administrative Management Theory or the Principles of Management, which could be said to be a top down management approach as compared to the production engineering approach of scientific management movement, was borne out of these criticisms. The pioneers of the administrative management theory were H Fayol (1949), along with Mary Parker Follett, L Urwich, J D Mooney et al. (Pugh and Hickson, 1989; Pindur, Rogers and Kim, 1995). These people drew upon principles of management based on their understanding of what management should be. These principles included such matters as functions (or elements) of management, lines of authority and responsibility, span of control, unity of command, etc and have also had substantial and continuing influence on management theory and practice.

The problems of organisations have also been studied from sociological and psychological standpoints. Much research has taken place regarding the behaviour of people as individuals and in groups, their interactions with other employees and management, their attitudes to work and their motivations. Some of this research, referred to as the Human Relations Movement, challenged the basic assumption underlying scientific management and the accepted principles of management. The pioneers in this movement were M Weber (1949), with contributions from G E Mayo, K Lewin, C I Bernard et al. (Pugh and Hickson, 1989; Pindur, Rogers and Kim, 1995). The early approaches of these pioneers in the human relations movement have been refined through study and empirical research and have developed into what is known as Organisation Theory. G Elton Mayo for example, reported on the famous Hawthorne Experiments (Mayo, 1948) which were studies carried out at the Hawthorne Illinois plant of Western Electric to see the effects on productivity of such factors as heat, lighting fatigue and layout. As such these studies were in the tradition of the scientific management movement, at least initially. However, as the studies progressed, it became clear that efficiency was being influenced by factors beyond the physical working environment, and as a result the emphasis of the studies changed to an examination of the motives and attitudes of individual workers, the characteristics of the work group and the relationship of the individual to the group. The research found that worker performance could be favourably influenced by social factors in the work environment and by changes in attitudes of supervisors. The studies

clearly showed that people do not pursue financial ends blindly nor can their behaviour be predicted and governed in the way Taylor and his colleagues assumed, ie as virtually adjuncts to machines with predictable responses. Although the methodology of the Hawthorne studies has been criticised in recent years they remain an important event in the history of industrial psychology and management theory. The human resources movement has further been added to with contributions from A Maslow (1943), F Hertzberg, C Argyris, D McClelland, et al. (Pugh and Hickson, 1989; Pindur, Rogers and Kim, 1995).

The Quantitative Management Movement emerged as a result of the development of mathematical and statistical solutions to solve military problems during the Second World War (Ivancevich, Lorenzi and Skinner, 1994). It centres on adapting mathematical models and processes to management situations. There are three major areas: Management Science, Operations Management, Management Information Systems. Major contributions have been made to the quantitative management movement, eg Von Neuman's game theory, these involve developing complex quantitative techniques to assist with decision making and problem solving (Von Neuman and Morgenstern, 1944).

The Contemporary Management Movement which is sometimes referred to as the Modern Management Movement has evolved by integrating existing theories. The approaches to the movement include: the process approach (Koontz, 1961), the systems approach (Von Bertalanffy, 1972), the contingency approach (Lawrence and Lorsch, 1969), the strategic management approach (Porter, 1980), the Japanese-style management approach (Deming, 1982), and the excellence approach (Peters and Waterman, 1982). The combination of these theories along with the scientific, human resources and quantitative movements, are integrated to form the framework for the management of today's organisations.

The preceding paragraphs briefly outlined some of the major theories of management developed throughout the last century. All of these theories, as illustrated, form part of management in today's organisations. No single theory dominates or provides all the answers. Technically, organisational and human aspects interact with each other and must be considered as part of the whole if

issues are to be resolved in a satisfactory fashion, the organisation is to prosper and its performance improved in the long term.

Local Authorities

Performance management, and in particular performance measurement, in local authority direct labour organisations, came to prominence some 30 years ago, with the introduction of Payment By Results (PBR) schemes. These schemes were introduced as a result of the publication of a report by the then Prices and Incomes Board (National Board for Prices and Incomes, Report No 29, 1966) which stated:

“The standard of labour utilisation in local authorities is low. They also contain large concentrations of workers who are among the lowest paid in the Country. Given their present wages structure and limited earning opportunities, there is no scope for wage increases confined to or weighted in favour of the lowest paid. In the longer term, the solution to the problem must lie in the more effective use of labour through the introduction of properly constructed and controlled schemes of payment relating to performance.”

This statement set the scene and was the trigger for the introduction of a deluge of PBR schemes, all designed to improve the efficiency and effectiveness of labour. Unfortunately, because of this statement many local authority managers considered such schemes as being firstly, a means of increasing the pay of manual workers, and only secondly, a means of improving productivity and labour utilisation (Muir, 1989). As a consequence, much of the information generated by the schemes, to help managers plan, monitor cost and control the work, was not used. It was almost inevitable, therefore, that many of these schemes did not achieve the productivity gains expected and fell into disrepute, ie the schemes failed to drive behavioural change.

In 1970, in order to improve the situation, the Government introduced a certificate (National Joint Council for Local Authorities, 1970) which had to be completed by authorities wishing to introduce such schemes. This certificate required authorities to identify the anticipated financial/service benefits to be gained from the scheme's introduction. In 1972, the Government went further with the publication

of a code of principles and practice (Code of Guiding Principles and Practice for Work Study Based Incentive Schemes, 1972). Both these actions helped to improve the standard of incentive scheme design and the quality of the information they generated.

In 1973 and 1974 two changes were introduced which seemed to confirm managers' earlier perceptions that the schemes were only there to increase employee earnings. The first was that it was agreed by the employers and the unions that an amount of money equal to the average bonus earned should be paid to each worker during holidays. The second was similar, in that average bonus was to be paid to a worker who was absent from work due to industrial disease or injury. Again, these changes did little to alter managerial behaviour.

Local Government Reorganisation 1975

In May 1975 the reorganisation of Scottish local government took place (Paterson, 1973). In the Council, for example, 23 individual rating authorities had become four (one Regional Council and three District Councils). This had a significant impact on management and the systems of management, with the need to rationalise and standardise on the many and varied methods of operation.

In 1979 a Conservative Government was elected, with a remit to cut public expenditure and address the issue of what was referred to as "*inefficient Labour town halls*". Inevitably the spotlight fell on the payment systems. Indeed, the Standing Commission on Pay and Comparability (Clegg 1979) stated that while some incentive schemes were satisfactory others definitely were not, and recommended that an overall review take place with urgency. This view was reinforced by the Chief Inspector of Audit who, in his 1980 Annual Report, which dealt in detail with incentive schemes, indicated the need for a complete review of schemes that were proving unsatisfactory due to lack of control and excessive earnings.

These concerns and others culminated in the introduction of the Local Authority Planning and Land Act in 1980. This was the means by which the Conservative Government would compel local authority direct labour organisations to compete for work in direct competition with the private sector, thus, those which were

efficient would retain the work and those which were inefficient would not. In other words, the Act would drive the desired behavioural change. The reaction to this legislation by the majority of local authority managers was to place emphasis on the wage payment systems and in particular the incentive bonus schemes which, in their view, had outlived their usefulness as they no longer provided sufficient employee motivation or appropriate management control information.

It is interesting to note that research undertaken at this time (Bowey A et al., 1982) stated:

“The attraction of focusing on payment scheme design is that it places a large share of the responsibility for organisational success or failure on the workforce in the belief that organisations will succeed only if employees can be motivated to perform their jobs better. Sometimes the payment system has very little bearing on the real problems in an organisation. Consequently, payment systems are sometimes being changed in an attempt to solve problems which have very little association with the payment system or in situations where the problems the payment system would solve would contribute very little to the organisation’s real difficulties”.

Throughout the eighties the Conservative Government exposed more of local authority direct labour organisations to compulsory competitive tendering. The services covered by the 1980 Planning and Land Act, ie building maintenance, highways work and new construction, were increasingly exposed, and in 1988 the Government introduced Part 1 of the Local Government Act, which subjected the remainder of the direct labour services to competition, ie refuse collection, building cleaning, street cleaning, catering, grounds maintenance, repairs and maintenance of vehicles, and sports and leisure facilities management (Muir, 1987). Despite the fact that performance management had improved within these services there was continued criticism, eg Audit Commission (Management Papers No 1, March 1988) stated:

“Members and officers can only evaluate the success of a service if they have first defined what performance they expect. This means defining what “good” performance actually means, and how it can be measured, and then laying

down targets and benchmarks for the level of performance actually expected. But local authorities still commonly fail to set objectives and measure performance even where appropriate measures are readily available. Performance can be measured and targets set for four types of parameters:

- i) The resources used (input)*
- ii) The customers and their needs (demand)*
- iii) The service provided, measured in quantitative terms, and also in terms of quality (output)*
- iv) The results achieved in terms of the number of users, and also, if possible, the qualitative results (output quality or outcome).*

.... These four measures can be combined to derive a number of different ratios or performance indicators”.

Quality Assurance Systems

Output quality or outcome, as referred to above, was becoming more and more an issue in the late eighties with performance bonds or guarantees being an integral part of the contractual arrangements. Improving quality through the introduction of quality assurance standards, eg BS5750/EN2900/ISO9000, became important, although not mandatory in respect of the legislation, as the requirement that tenderers possess certification was deemed to represent “a restriction of competition”. Tenderers were, however, required to “demonstrate that they operate equivalent management systems based on the principles of BS 5750,” (Local Government Act 1992, Section 9: Competition in the Provision of Local Authority Services).

It is interesting to note some of the sources of support for quality and quality assurance systems. For example, Joint Transport and General Workers Union and General and Municipal Boilermakers Union publication (New Model DSO's, 1995) stated: “Councils will increasingly need to consider whether complex inspection and monitoring arrangements should be preserved at the expense of raising DSO performance through internal quality management systems” and the document went on: “Internal quality management systems are crucial in a much wider sense increasingly all purchasers of services both in the public and

private sectors are looking to get those services from organisations which can deliver them without extensive monitoring or inspection the possession of a first-class internal quality management system is becoming a core requirement for success."

Participation And Innovation

In the early nineteen nineties local authority DLO's/DSO's adopted more and more the concepts and initiatives from their competitors in the private sector. Joint consultative arrangements between the union and management were strengthened; communications, in the form of leaflets, team briefings, management publications, etc, were introduced to help keep employees informed of what was going on in the organisation; the concept of Quality Circles was introduced in some local authorities; and staff suggestion schemes were introduced in order to improve participation of the workforce and get them to submit ideas which would improve efficiency and effectiveness. These initiatives were all introduced to increase the overall competitiveness of DLO's/DSO's.

Local Government Reorganisation 1996

In 1996 local government in Scotland was again reorganised, and, as already outlined, there was a need to review, rationalise and, where possible, standardise working practices and conditions of service. Managing change was another issue, and it is interesting to note that the Council, which was considered to be one of the more progressive authorities, proposed to achieve this by introducing a wide range of performance measures into its DLO's/DSO's. It also proposed to use these measures to monitor and control service delivery. Yet, history had shown (1966 - 1995) that the introduction of such measures in DLO's/DSO's had been less than successful in achieving their objectives and in a number of cases had failed to attain the desired results. It should be added, however, that there are significant issues relating to the transfer of private sector techniques into public sector organisations, and perhaps these were not fully taken into consideration in the earlier examples. It should also be added, that during the period of the research (1996 - 1999) the nature of local authority management evolved quite considerably. These issues and others are included in the literature review that follows.

Literature Review

Having considered the background and history of performance management in local authority DLO's/DSO's, a thorough review of the literature in relation to the research aims and objectives and in particular the research questions was carried out. The first of the issues to be considered was:

- Why manage change?

Business leaders throughout the world have to manage change, and leaders within local authorities are no different. In 1996 as a result of local government reorganisation - an external trigger to change (Nutley, 1996) - the effective management of that change was critical. In the Council, as described in Chapter 1, one of the principal aims to achieve this was to *"ensure through its management arrangements and processes that performance was monitored, evaluated and publicised"*. This monitoring of performance would require to become part of long term management arrangements and processes. Indeed, it has been stated (Urwin, 1992) *"As we head towards the year 2000, change will continue as a certainty for all local authorities. Some of the strategic issues that will continue to be high on the agenda for council elected members and officer leaders are likely to include:*

- *Vision / Strategy*
- *Higher customer expectations*
- *Improved leadership*
- *Competition*
- *The Citizen's Charter - performance indicators*
- *Development of Managers*
- *Effective achievement of objectives*
- *Personal effectiveness*

These issues and others, will encourage all leaders, chief executives and chief officers, to look closer at how they manage performance. They will seek the best management techniques available to secure their business objectives. For continuing success, these will need to be permanent features of organisation

culture, and not the 'quick fix' solutions that are short lived and provide only short term benefits".

Delivering And Controlling Organisational Performance

The key tasks of management have been described in functional terms as Planning, Organising and Co-ordinating, Controlling and Motivating (Lucey, 1982). In relation to these functions the general question can be asked:

- How useful are performance management systems in delivering and controlling organisational performance?

Planning is the primary management function from which the organising and controlling functions are derived. This function includes all the managerial activities which lead to the definition of objectives and the determination of the appropriate means to achieve these objectives. Although managers at all levels plan, some can only plan within a framework of objectives set by a higher level. The overall planning function includes the establishment of objectives and their priority, forecasting, making plans operationally through budgeting and implementing policies to achieve the desired ends. Information systems and in particular performance management systems provide considerable assistance to management in carrying out this function (Accounts Commission, 1998).

Organising and Co-ordinating is the means by which management co-ordinates resources through the design of a structure of specified tasks and appropriate authority. What may be called the "traditional theory of organisation" developed theories about the way jobs should be grouped together and about what were considered to be "principles of organisations".

Controlling, this includes all activities undertaken in attempting to ensure that actual results or operations conform to planned operations. This is a part of the managerial task which has received considerable attention and for which numerous types of information systems including performance management systems give assistance to management. The principles of control and feedback of control information occupy a central place in systems theory, and the relationship of control and planning, the way people within the organisation view

and react to control systems and the efficiency of common forms of control systems is central to this research (Accounts Commission, 1997/98).

Motivating, this part of the managerial task is less mechanistic than the other functions and is a recognition of the vital importance of the human element in the organisation. Managers get things done through people and people's behaviour is motivated by their desire to achieve certain goals and objectives ie they wish to fulfil certain needs (Accounts Commission, 1997/98). In less enlightened times monetary incentives were considered the only means of motivating people. Nowadays it is recognised that whilst money is obviously an important motivator, people seek to satisfy other than purely economic needs. Typical of such other needs are Safety and Security, Acceptance, Esteem and Self Fulfilment (Maslow, 1954).

Decision Making - whether dealing with Planning, Organising, Controlling or Motivating, management are continually having to make decisions. Decision making involves choices between alternatives and is consequently present in all managerial activities. Making choices between alternatives always involves some risk as none of the outcomes of these choices can be known with certainty. The essence of a good management information system and therefore that of a performance management system is to assist in the managerial functions of Planning, Organising, Controlling and Motivating and to reduce risk in the decision making process (Dowlen, 1995; Vincent, 1996).

Key Features Of Performance Management Systems

An outline has been given on how performance management systems assist management improve the quality of their decisions, which therefore prompts the question:

- What are the key features of performance management systems in local authorities? What should they look like?

As has already been outlined, all levels of management need information on which to base decisions, to plan, to organise, and to control. The factors which

influence the key features of performance management systems in local authorities are:

- The primary function of the organisation, ie local authority DLO/DSO.
- The structure and levels of the organisation including the degree of autonomy.
- The degree of centralisation/decentralisation and how tightly the organisation is controlled from the centre.
- The way the organisation interacts with the environment and the extent to which external information is important.
- The way in which the organisation needs to communicate with its environment - to customers, suppliers, trade unions, government departments, etc.
- The kind of decisions which need to be taken and at what level in the organisation.
- The scale of the operation and the number of employees.
- The culture of the organisation and the management style.

It must be emphasised, however, that performance management systems have no intrinsic value on their own. The value of such systems can only come from the users of the systems and not from the producers of the information. This is to say that the users (ie management at all levels) can only cause value to be attributed to the performance management system as a result of actions following decisions taken using the information provided (McWilliams, 1996). The values which may be attributed to any performance management system, therefore, can only come from actions which:

- Increase profitability (achieve statutory target).
- Reduce costs.
- Utilise resources more effectively or in some way increase the present or future efficiency of the organisation.

Model Of Performance Management System

It has been argued (Bevan and Thomson, 1991) that a key to performance management is to facilitate the integration of various human resources activities, mesh them more closely with the business objectives of the organisation and thereby improve overall performance. They show the performance management system as follows:

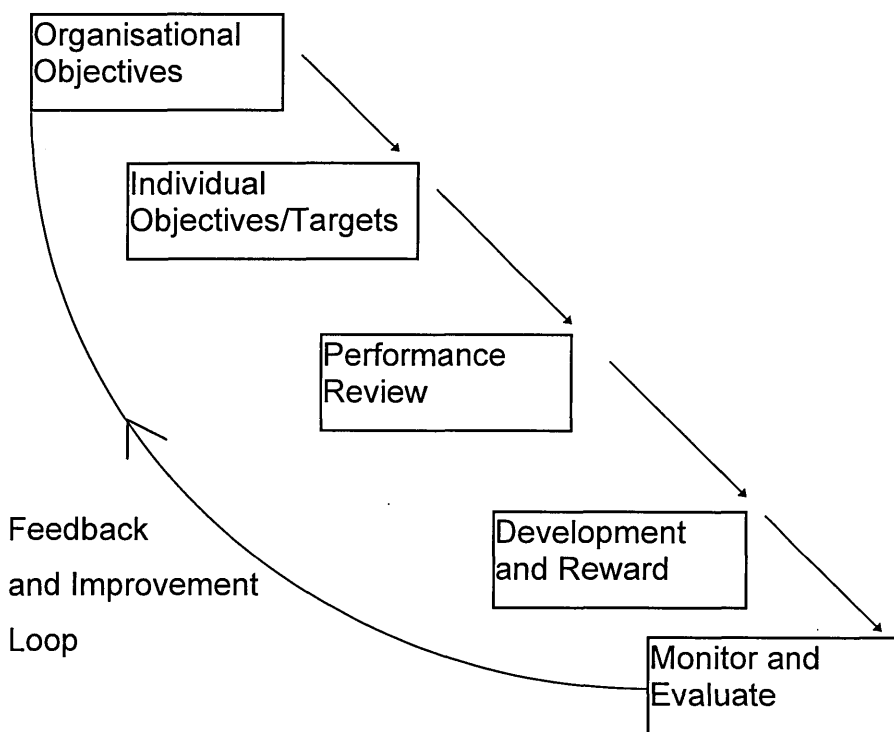


Figure 2 - Model Of Performance Management System

They further suggest that performance management systems are in operation when the following conditions are met by the organisation. In other words, the key features of a performance management system are that:

- it communicates a vision of its objectives to all its employees,
- it sets departmental and individual performance targets which are related to wider objectives,
- it conducts a formal review of progress towards these targets,
- it uses the review process to identify training, development and reward outcomes, and
- it evaluates the effectiveness of the whole process in order to improve effectiveness.

From a study carried out by the Institute of Manpower Studies on behalf of the Institute of Personnel Management (Bevan and Thomson, 1991) in which 46 percent (856 organisations both public and private sector) of the organisations in the UK returned questionnaires covering a total of 4.3 million employees (just under 20 percent of the workforce), it was concluded that certain characteristics serve to differentiate organisations claiming to operate a formal performance management system from employers pursuing other policies to manage employee performance. Performance Management Organisations were more likely than other organisations to:

- have mission statements which are communicated to all employees,
- regularly communicate information on business plans and progress towards achieving these plans,
- implement policies such as total quality management (TQM) and performance related pay,
- focus on senior manager's performance rather than other manual and white collar employees,

- express performance targets in terms of measurable outputs, accountabilities and training/learning targets,
- use formal appraisal processes and CEO presentations as ways of communicating performance requirements,
- set performance requirements on a regular basis, and
- link performance requirements to pay, particularly for senior managers.

However, no evidence was found that improved organisational performance in the private sector was associated with the pursuit of formal management programmes. Poor financial performers were as likely to introduce performance management as good performers. This would seem to suggest that the introduction of a formal management programme is no guarantee of improved performance. There were no readily available comparable measures of performance in the public sector to test this link, even though performance management was more likely to be adopted in the public sector. Also, there was no reference in the study to any potential differences between the public sector and the private sector in terms of the implementation of performance management programmes, which is somewhat surprising given that there are significant differences, as will be shown later in this chapter.

There was, however, evidence to show that those organisations using formal performance management techniques were more likely to use formally documented and relatively young appraisal systems. These were more likely to result in the identification of training in an individual's current job and, to a lesser extent, future career development. They were also more likely to result in the identification of potential, recommendation for promotion and career counselling for poor performers.

Altogether, nearly three quarters of all organisations in the survey had some form of performance related pay (PRP), but those employers operating formal performance management programmes were more likely than others to have such a pay system. However, there was no correlation between the use of PRP and

organisational performance - poor financial performers were as likely to have PRP as good performers. Organisations operating PRP were also more likely to have decentralised pay and personnel policy decision making.

Overall, the study suggested that performance management as it is practised in the UK, can only begin to have tangible effects on organisational effectiveness if it is allowed to become rather more than a narrow vehicle for the delivery of reward and remuneration policy and monitoring the bottom-line. These issues are discussed in more detail later in this chapter.

Performance Management - The Bigger Picture

In order to consider performance management in its widest context, it is necessary to relate it to the Model in Figure 2 page 38 and the complexities of the modern organisation. Indeed, it has become apparent that organisations today are becoming increasingly complex and that management perceive financial measures alone as inadequate for control. Many examples have been cited (Eccles, 1991; Geanuraces and Meiklejohn, 1993) where the system of performance review has shed light on the real drivers of value in organisations, thus identifying profound changes in the business process.

Some observers (Kaplan and Norton, 1991; Thor, 1994) advocate that there must be a balanced family of measures, four to six, which together provide a comprehensive view of organisational results, but individually, also contribute diagnostic values. Others argue (Creelman, 1996) that the key is to discover how human, organisational and customer intellectual assets can be balanced so they can be combined to create great value.

It is probably true to say that the very act of measuring something and giving publicity to the results will begin to have an effect on performance, simply through people paying attention to those measures and concentrating their efforts upon them. This should not give cause for concern as this is one of the prime aims of setting up measurement systems in the first place. There is, however, a risk that a poorly balanced set of measures can cause people to concentrate on the wrong things and actually have an adverse effect on other aspects of the business (Ackoff, 1967). It is argued, for example, that financial institutions' concentration

on the organisation's short-term performance, prevents them from taking the commercial decisions which would be in the best long-term interests of the organisation. Similarly a concentration on, say, production volumes alone could have adverse effects on quality and efficiency levels. For this reason many organisations are developing and using Balanced Business Scorecards (Kaplan and Norton, 1996) which look to track key measures in what are regarded as the four key areas for long-term health of the organisation. The Balanced Business Scorecard includes:

Financial and Business Results, eg	<ul style="list-style-type: none"> - Turnover - Market Share - Profit Per Employee - Shareholder Value - Cost v's Budget
Customer Perceptions, eg	<ul style="list-style-type: none"> - Customer Satisfaction - Customer Retention - Perceived Value For Money
Internal Performance, eg	<ul style="list-style-type: none"> - Production Outputs - Quality Levels - Efficiency Measures - Process Performance
Organisational Development, eg	<p>Investment in:-</p> <ul style="list-style-type: none"> - New Product Developments - People Development - Process Development

The aim of the balanced scorecard is to encourage improvements in all aspects of a business, not just the areas of shorter term financial return. Usually it is adopted as a template for planning overall organisational performance measurement but the discipline applies equally to measures of, for example, departmental performance:

- Are budgets and business performance targets being met?
- Are customers (internal and external) being satisfied?
- Are internal (eg process) targets being made?
- Are resources in the organisation being developed for the future?

A balanced system should at least consider whether the above areas need to be included before focusing in on more obvious measures.

It should also be remembered that in measuring performance in any part of the management system certain observers (Sneddon,1991) believe that it is important to keep at the front of your mind what is meant by the term performance; it is more than just an achievement of a target of one part of the system. Measurement rarely means actual assessment of a real situation; it usually involves a set of assumptions of a simple model. Measurement is more relevant to setting goals than assessing their achievement and should, therefore, be more concerned with what is possible in the future than what has happened in the past.

Choosing The Right Measures

It is very easy for enthusiasts to get carried away in setting up enormously complex sets of performance measures. Effective measurement systems are not necessarily the ones which are the most detailed or the ones which contain the greatest number of measures. Effective measurement systems are those which identify clearly what the organisation is trying to achieve or improve and focus on those aims (Local Government Management Board, 1997). Another issue which needs to be considered is cost (Handy,1993), and one of the first questions which needs to be asked before setting up a new measure or measurement system is “will it be cost effective?”, or put another way, “will there be more effort put into measuring this than could ever be got back in benefits?” In choosing the right measures which are cost effective it is essential to ask:

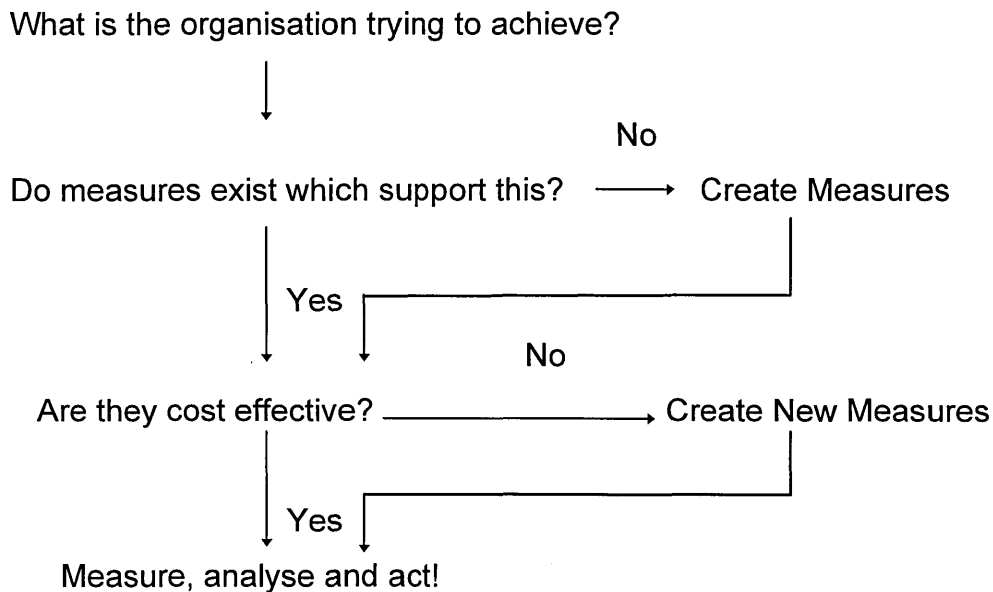


Figure 3 - Choosing The Right Measures

It is probably fair to say that just about everything can be measured in one way or another. The range of possible types of measures is enormous but at its most simple level these can be broken down into two broad types: objective measures and subjective measures. Objective measures relate to counting ie total, sample, check sheets, activity sampling, concentration diagrams, or physical assessment ie time, length, weight, temperature, pressure. Subjective measures, on the other hand, relate to questionnaires (of others), ie surveys, interviews, focus groups, exit polls or assessment (by self) ie self-assessment, scoring/rating, mystery shoppers, mystery callers, audits, observation (IDS, 1990). The basic distinctions to be made are, are the data to be collected objective or subjective data? Objective data can be either counted or physically assessed. Subjective data can be either gathered by questioning (somebody else) or by making an assessment (your own judgement). All the various measurement tools and techniques are then simply derivatives of these types (LGMB, 1993).

Physical measurement usually gives the most precise data about performance in a particular area. Counted data, on the other hand, are normally used as a means of summarising performance and reporting progress. Questionnaires, assessment or scoring are usually the least precise types of measurement but can be essential in assessing things which many might consider immeasurable such as attitudes, perceptions and satisfaction levels.

When selecting measures it is useful to ask the following questions:

“Is this measure necessary for monitoring and improving performance?”

“Is the measure sufficient to monitor and improve that performance?”

These two questions can provide a very effective test to ensure that a realistic balance is struck between being comprehensive and being pragmatic.

Sound and Unsound Measures

Having established what is likely to be measured there is a need to ensure that the method of measurement which is planned to be used is sound. A lack of soundness can arise from two sources, Technical and Cultural, which can be shown as follows:

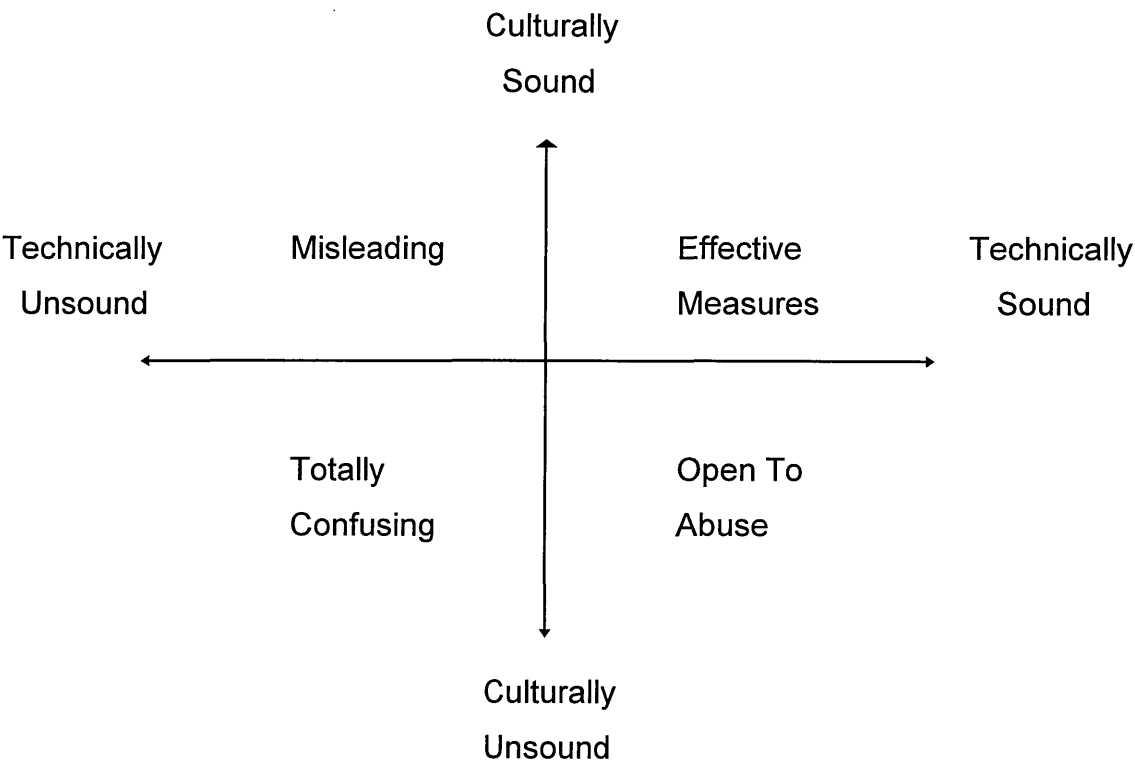


Figure 4 - Sound / Unsound Measures

There are a number of reasons why a measure might be regarded as technically unsound:

Inappropriate measurement frequency - taking measurements either too regularly or (more likely) not regularly enough to detect the changes that are being looked for (eg quality checks once per shift when there is a three shift system).

Not sufficiently repeatable - the variation caused by the method of measurement itself is unacceptably high (eg asking two different groups of people for their assessment of different new products/services).

Inadequate samples - judgements being made on small quantities of data (eg interviewing 10 members of staff in a large organisation to obtain a measure of staff morale).

Not valid - measuring the wrong thing (eg measuring programming output based on lines of code when lines are of different length and complexity).

In respect of cultural unsoundness there are probably two major causes:

An incentive to cheat - if there is any type of incentive linked to a set of measures (whether financial or simply peer pressure) there can be an immediate temptation to play the numbers game to distort performance, or to fiddle results. Examples of this are:

- Measures linked to pay,
- Arbitrary targets,
- League tables between factories and departments, or
- Budgets which need to be spent if they are not to be cut the following year.

Encouraging the wrong thing - some measures run the risk of getting people to concentrate all their efforts on one performance attribute to express disadvantage of others. For example:-

- PBR systems which take account of numbers but not quality (encouraging people not to reject poor quality work).
- Salary scales which are based on the numbers of people working for a particular person.
- Measuring activity rather than results (encouraging people to initiate lots of simple ineffective but visible improvement activities).

In summary, therefore, Technically Unsound Measurement can arise from inappropriate frequency, not sufficiently repeatable, inadequate sample, or not representative (measuring the wrong things). Whereas Culturally Unsound Measurement can arise from: incentives linked to pay; arbitrary targets; league tables; pressure to spend budgets; and can also arise from: encouraging the wrong things, in relation to quantity instead of quality; salary scales that encourage empires; activity rather than results (Muir, 1996). There is no simple way of designing measures to be totally sound. The simplest way of testing out their soundness is to talk to the people who are using the measure. They will normally be able to point out the potential flaws (LGMB, 1997).

Concept Of Good Performance

It has been suggested (Campi, 1993) that the concept of good performance has two main ingredients. Firstly, there should be a range of measures, as already referred to earlier, and, secondly, it is important to ensure the nurturing of behavioural change within the organisational culture. With a balance of measures, if the defined goals and associated measures are representative of the full range of activity they will affect the different activities and priorities. These can be resolved as part of the operational planning and would affect the ultimate goals and performance measures achieved, eg in a labour-intensive low technology local authority work situation, it may be appropriate to ensure that labour productivity is maximised at the expense of equipment utilisation. Hence it should

not be assumed that all performance measures will increase at the same time. Some may increase as others, perhaps connected as above, may decrease. The effectiveness of the operation would be judged in light of the complete portfolio. Support for this (Price Waterhouse, 1996) illustrates that the organisation needs a balanced set of measures to support its internal and external perspectives and should embrace both cost-based and non-cost-based measures.

Reporting Results

In looking at the soundness of a measurement method it should also be considered how it is planned to report against the different measures. The four main ways in which this can be done are:

- Regular Reports - perhaps the most commonly used method of measurement, and one which is most familiar. The frequency can vary, ie weekly, monthly, quarterly or annually. Examples of these include monthly accounts, weekly output figures, end of year results. They should report progress or performance against targets or budgets. The best form of regular reports are visual displays which are kept up-to-date.
- Exception Reports - this method is used to highlight areas where something has not gone according to plan, or there is something of special interest. A commonly used example of this is shortage reports from production. This method is often used to report areas where improvement activity may have slipped or, indeed, be ahead of schedule.
- Trend Reporting - this type of reporting is used to show how a particular measure moves over a period of time, and should usually be in the form of a chart.
- Spot Sampling - in some cases it may be necessary to quantify what is actually happening at a point in time. Spot Sampling can be used to do this. One example of this is the annual stocktake, which is done to check the stock at one point in time. If there is a need to find out exactly what is happening in a particular area or situation, Spot Sampling is a method that could be used. Other examples may include finding out how many works

orders are raised each day or how many new products are currently being worked on. It may be helpful to display the data on some form of chart. Setting up a regular measure would only be done if a problem was identified on the spot sampling.

To be effective the reports produced by the performance management system should take into account numerous factors, the main ones being:

- Destination of report - who will be the recipient of the report? At what level in the organisation is he/she?
- Uses of report - what will the report be used for? What decisions will be taken based on the report?
- Urgency of report - the main factor influencing the urgency of a report is the effect on operations, which would be caused by the non-arrival or delayed arrival of a particular report.
- Detail - detail should not be confused with accuracy. Accuracy means that a report should present a picture which will not mislead decision makers. The correct amount of detail is the minimum for the task in hand. Superfluous detail (even though accurate) may cloud this issue and will add to processing, storage and reading costs. The amount of detail normally varies with the level of management that uses the information. The higher the level the less detail would normally be provided. Conversely at the operating level considerable detail would be necessary albeit to do with a closely circumscribed area of responsibility. Averaging, summarising, presenting information in graphical form, are all ways in which detail can be reduced, often with an increase in comprehension.
- Frequency - much routine information should be produced automatically once per hour, per shift, per day, per week, per month or per year. However, too often reports are produced at set intervals without regard to the manager's real need. Typical of the questions which should be asked are, over what period is a deviation from standard likely to be apparent? How

many observations will be necessary before trends can be identified? If something catastrophic occurs does somebody in the system have enough information to appreciate the real significance of the situation and bypass the normal reporting procedures? What would be the effects on efficiency if reports were produced more/less frequently or not at all?

It is important when reporting on measurements that the appropriate reporting period, and method is used. The most common mistake is to report regular absolutely everything including those things under control and not subject to a specific improvement activity. Eventually people no longer read the data, so missing any significant changes. Exception reporting would be more appropriate.

Management By Exception

Management by exception can be said to exist:

- when a subordinate is given a prescribed and defined role to perform with the necessary authority to satisfactory perform the role,
- where the role defined includes a clear statement of what constitutes normal performance, and
- where matters which are not proceeding to plan are reported upon so that the superior may take corrective action.

Management by exception is more than a method of reporting - it is a style of management. It has the advantage that subordinates are given clearly defined objectives and the authority to carry them out. They can see what they are required to do and feel that they are trusted to carry out the task. Their superiors have the advantage that they need not concern themselves with the majority of items which, hopefully, are proceeding according to plan whereas the items which may require attention are brought to their notice through the reporting system. Wherever possible performance management systems should be build round management by exception principles. Management by exception is a closely controlled form of delegation and it is clear that the types of decisions that are suitable for delegation within management by exception systems or programmed

decisions which are decisions that are relatively routine and for which decision rules and procedures can be devised. Non-programmed decisions are decisions for which decision rules and procedures cannot be devised. Generally they are non-repetitive decisions, often with high levels of risk where many factors from inside and outside the organisation have to be considered.

Interpreting Results

When analysing results it is possible to make comparisons to assess whether performance and levels of improvement are satisfactory. For example, the European Foundation for Quality Management (EFQM, 1993) Award criteria, when assessing a business's results, will look for positive indicators in three areas:-

- Positive improvement trends over a period of time (as an indicator of continued improvement against the organisation's own past performance).
- Positive comparisons with their own targets (as an indicator that they are achieving their own improvement aims).
- Positive comparisons with external organisations (as an indicator that their performance is heading towards best in class).

To enable these comparisons to be made there is a need:

- to be able to recognise when trends and variations are significant,
- to be able to set effective targets, and
- to be able to benchmark performance against others.

Further details of the EFQM model are described later in the thesis.

Understanding Variation

Variation is, quite simply, the difference between any two outputs of a process. Variations are seen all the time; when comparing this month's sales figures to last

month, when comparing this year's staff survey results to last year, etc. When two numbers are different it is normal to look for reasons for that difference. It is not normal, however, to question whether the difference is significant in the first place. The fact is, that variation can come from a number of sources. Moreover, it can be created by two completely different types of cause. Within any process there will be a level of natural variation which results from the random mixing together of a series of small influences on the final outcome. For example, the result of throwing a die will be dependent upon the speed, angle and degree of spin with which it was thrown, and upon the nature of the surface on which it lands, amongst other factors. Changes can be made to each of these variables but it would be very difficult to throw the die to achieve a specific result each time - there will always be variation present.

Not all variation is significant:

Common Cause Variation

- Many small sources
- Stable and relatively predictable
- Not assignable to individual causes
- Often over-reacted to

Special Cause Variation

- One or a few major sources
- Irregular and unpredictable
- Can be assigned to individual causes and acted upon

Examples of these include:

Common Cause Variation

- Minor equipment variations
- Minor environment fluctuations
- Imprecise standards
- Overall capability of staff

Special Cause Variations

- Operator makes mistakes
- Equipment develops fault
- New supplier of raw materials
- New operating procedures

Recognising the inevitability of variation when looking at examples like throwing the die, but ignoring it when looking at business results is common. The tendency is then to assume that any change in the level of a particular measure is due to one, or few, specific causes that will be able to be pinned down with sufficient effort. The consequence of this is often that over-reaction to numbers can result: a syndrome called Over-Control - taking corrective action on a process that does not require it. Examples of this might be:

- Initiating a post mortem into budget overspend (when it was within normal variation).
- Disciplining someone who produced a high level of defects (within a normal variation).
- Adjusting parameters on a production process to counteract a fall in product quality (within normal variation).

The effect of over-control is often that the action taken can actually worsen the situation. Invariably it is a source of wasted effort. To improve the effectiveness with which action is based on sets of results it is possible to use Statistical Process Control methods to test whether a process is In Control (ie subject to normal, common cause variation) and consequently unlikely to be affected by one off corrective actions. There is plenty of source material (Faugenbaum, 1986; Oakland, 1993) to explain the methods involved. Although there is obviously an extra level of effort in establishing this type of analysis, it can be particularly useful if applied to measures which are resisting all other forms of analysis, or the consequences of taking a wrong course of action could be grave.

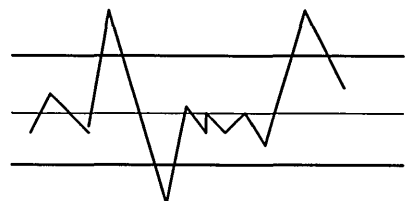
An In-Control Process:

- Focus on the system or process
- Reduce Common Causes of Variation



An Out Of Control Process:

- Analyse and look for assignable causes
- Eliminate Special Causes of Variation



Target Setting

Setting targets for improvement can be quite simple. Look at the current level of performance, decide what the performance should be and set the target there. There is a balance to be struck, however, between setting targets which are stretching and will provide a real incentive to improve, and setting targets which

are unrealistic and which people will never really attempt to achieve in the first place. A number of factors may affect the balance in setting targets:

- Current trends (up or down and by how much).
- The needs of the business.
- The performance of competitors.
- Action or change in the coming period which we know will have an effect one way or another on performance

In general there are a few basic rules for setting effective targets. They should be:

Specific	- clearly defined
Measurable	- visible and capable of being measured (and graphed)
Achievable	- there should be a reasonable (say better than 50%) chance of success
Results Orientated	- related to achieving improvements rather than to increasing levels of activity
Timebound	- with target dates for respective performance levels to have been achieved

Examples of these SMART Targets:

- To reduce Customer Complaints by 15% by the 15 March.
- To increase Invoice Accuracy from 90% to 99% by 30 October.

Benchmarking

Even stretching internal improvement targets may be insignificant when compared to the type of improvements that may be necessary to achieve World Class or Best in Class levels of performance. For these reasons the practice of benchmarking performance on certain parameters against other organisations is becoming increasingly widespread. Essentially, benchmarking is *“the continuous process of measuring products, services and practices against ourselves, competitors or organisations who are recognised as leaders”* (DTI, 1995). This is not to be confused with the practice of visiting other organisations and strolling round looking at things in an unstructured way and seeing what tips can be picked up (Industrial Tourism as many people refer to it). Although the swiping of good ideas from anywhere is to be encouraged, the distinction between that and performance benchmarking does need to be made.

Benchmarking is most effective when performed against a well structured plan. Such a plan should typically go through phases whereby the measures which are to be benchmarked are selected, measurement of performance is conducted, data from comparator organisations is collected and, following comparisons, improvement action plans are developed and implemented. This should, of course, become a continuous process, ie a process of continuous improvement (Foot, 1998).

Measuring Continuous Improvement Progress

One of the key principles of continuous improvement is to Measure for Success. Measurement itself is the means by which to ensure that the improvement process remains in control and achieves what it is expected to. It is essential to the process in helping to:

- Keep track of progress. To ensure that the activities planned happened when expected and that programme targets and milestones are being met.
- Keep track of results. To ensure that activities are actually producing the results expected.

- Encourage participants. By displaying results and progress, feedback can be provided to encourage and recognise those involved in continuous improvement and demonstrate that their efforts are paying off.
- Encourage non-participants. By showing measures of progress and their results it can be possible to demonstrate to those who are not yet part of the process, the benefits of being involved.

Without an effective means of measuring progress the only means of assessing the progress is satisfactory will be to rely on gut feeling. This can lead to uncertainty as to exactly how much has been achieved, it can also make it difficult to make good decisions about the process or elements of it. Organisations experienced in continuous improvement when asked about what they wished they had done differently in their approach, will frequently say that they wish they had been more disciplined about measuring progress and tracking benefits (CIPFA, 1997). While there is no need to become fanatical and measure everything in sight the importance of having some measures in place at an early stage must not be overlooked.

Essentially there are two areas of measurement to consider. The inputs into the process (such a training, investment, involvement of people in project teams) and outputs (such as waste reduction, improved customer service, improved productivity). It is essential that both of these areas are covered by the measurement system, if it is to be effective. This will help ensure that the improvement process is progressing at the required rate with milestones being achieved, and that business improvement aims which were the reason for starting the improvement process are also being achieved.

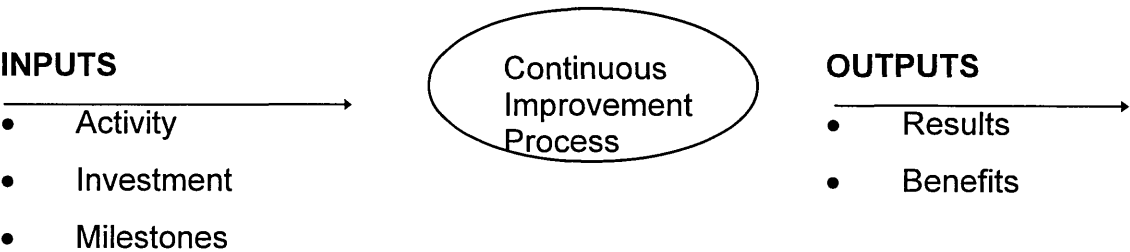


Figure 5 - What Can Be Measured?

It is possible, when attempting to measure the results and outputs of the improvement process, to pitch the measurements at a number of different levels. At the micro level results can be measured of very specific and focus improvement activities, such as the outputs and benefits achieved by project teams. Moving up a level, performance figures for individual departments or specific processes within the business can be measured. Ultimately, at the macro level overall business results can be measured. Clearly the most important measures must be the overall business results. It is said that it is this area which should be measured to determine if the improvement process is really proving effective. It would be unrealistic, though, to expect a recently initiated improvement process to have an immediate effect on total business performance (Mascarenhas, 1996).

When setting up measures for the improvement process it is important to remember that the measures are there to serve a purpose - to help manage the process. They are not there as an end in themselves (McWilliams, 1996). It needs to be clear what it is that the organisation is trying to achieve and to establish measurements based on those aims.

When measuring continuous improvement progress it is often worth going back to the definition of total quality and looking at the three parts of that definition (Dale, 1994). It is usually within these three areas that the main measurement can be found. In creating measures therefore it is necessary to:-

- Decide what is to be achieved then decide what needs to be measured.
- Total Quality is:
 - meeting customer requirements at
 - lowest cost
 - by releasing the potential of all employees

The measures should reflect this.

<u>MEETING CUSTOMER REQUIREMENTS</u>	<u>LOWEST COST</u>	<u>RELEASING EMPLOYEE POTENTIAL</u>
<ul style="list-style-type: none"> • Number of Customer focused improvement teams • Customer Complaints • Customer Service Levels • Order Turnaround • Conformance to customer specification • Customer satisfaction • Sales trends 	<ul style="list-style-type: none"> • Number of efficiency improvement teams • Cost savings • Rework • Productivity • Cost of Quality • Waste • Stock levels • Operating costs 	<ul style="list-style-type: none"> • Number of “people” related products • Training • Staff involvement • Absenteeism • Suggestions per employee • Labour turnover • Staff satisfaction

Table 1 - Typical Continuous Improvement Measures

Impact On Stakeholders

It is suggested that every business should analyse its dominant values as well as ascertain the major societal issues and how these may impact, in the long-term on major stakeholders. The term stakeholder is becoming increasingly used in the public sector to describe any group or individual which can affect, or be affected by, the organisation. It is argued (Peattie, 1992) that satisfying stakeholder needs represent one of four criteria for success (the 4 S’s); the other three are: Safety of products/services and processes, Social acceptability of the organisation, and Sustainability of its activities. Taking an inclusive view one observer (Manning, 1996) sets out the ground rules to drive performance and shape the pillars of business competitiveness and sustainability - also as 4 S’s - which are:

- Sensing and interpreting what is going on out there.
- Sourcing the skills, capabilities, materials, components, finance and customers that will keep the business alive.
- Servicing stakeholders to safeguard their interests.
- Synthesising ideas and activities to exploit opportunities and leverage resources.

These inescapable factors complement the ideas of others (Elkington and Fennel, 1998) who propound the concept of the triple bottom line. They suggest that every organisation must focus not simply only on economic value it adds, but also on environmental and social values it adds or destroys. It would seem, therefore, from all these factors, that the performance measures used to monitor and control the organisation need to be as wide-ranging as possible in order to provide a comprehensive picture of the organisation as a whole.

European Foundation For Quality Management Model (Business Excellence Model)

Another way of tracking the progress being made is to take a look at all aspects of the business and to assess to what extent continuous improvement practice is being brought to bear in each area. An increasing number of companies are making use of frameworks such as the European Foundation for Quality Management (EFQM, 1993) model to make assessments like this.

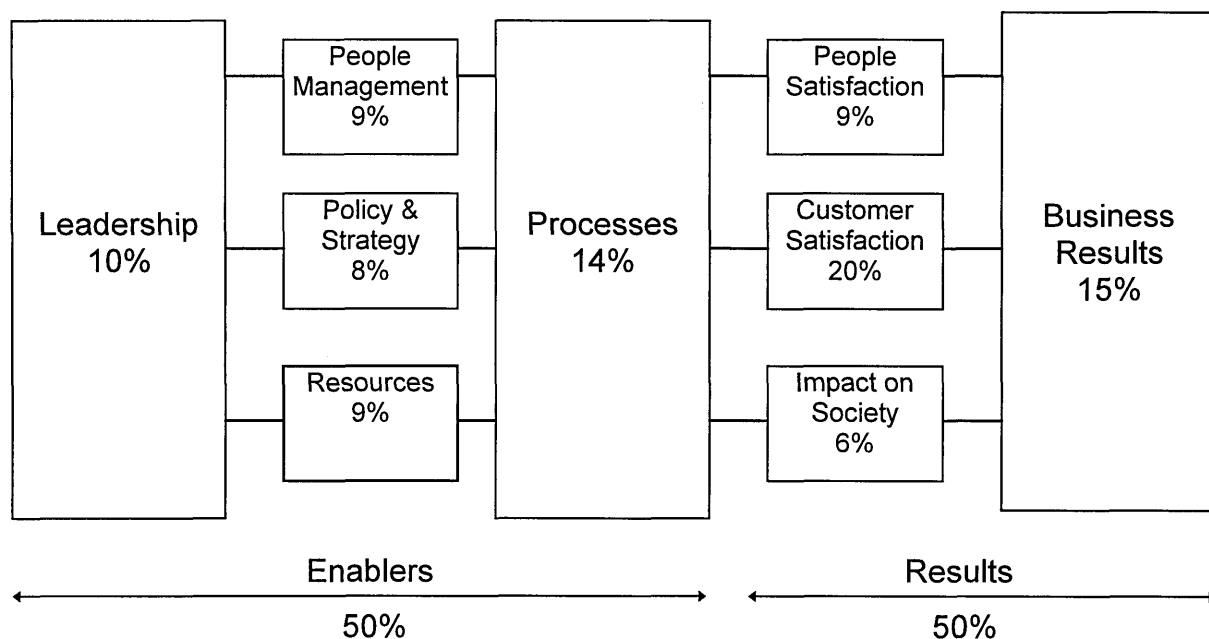


Figure 6 - European Foundation for Quality Management Model

The EFQM model lists a number of criteria which an organisation should meet if it is to be considered a world class organisation. Such models are used as a basis for making annual awards to the best companies, but the most popular (and probably the most valuable) use of these models is in performing Self Assessments of progress.

It is possible, through the use of workshops, questionnaires, review teams and various other means, to assess the strengths and areas for improvement against each of the criteria in the model. It is also possible to produce a score for each criterion.

This type of self assessment process, if performed regularly, can highlight where progress is or is not being made. It can also pinpoint the areas of relative strength and weakness in the organisation's approach and achievements. Finally, it can, by comparison to the ranges of scores achieved by Award entrants, give an indication of where the organisation might stand in relation to some of the best companies in terms of the extent to which continuous improvement approach has become integrated within the overall business (Brereton, 1996).

Intervening Variables

The EFQM model and the triple bottom line concept (Elkington and Fennel, 1998) go some way to identify the linkages and intervening variables between management systems on one hand and organisational outcomes on the other hand. For example, the dependent variables include all stakeholders ie local citizens (both individual and representative groups), clients, consumers, users, customers of the services provided, elected representatives, central government, regulatory, inspection and audit agencies, managers and employees within the authority, have an interest in the organisational outcomes and performance measures produced. These are different audiences and, as pointed out by one observer (Mascarendas, 1996), *“It is important to recognise that performance measurement needs to service multiple ends. The type and quality of information for each of these purposes varies and needs to be tailored to the requirements of end users”*.

It is apparent that these audiences will, to a greater or lesser extent, have an interest in different aspects or dimensions of the organisation’s performance and, as such are likely to be interested in different performance measures for different reasons. Clearly any performance measurement system has a cost associated with it (as has already been explained earlier) and an understandable tendency would be for an organisation to try to develop a generic set of performance measures intended to satisfy these disparate groups and their differing requirements. The danger is that such an approach produces a multitude of performance measures that satisfy no-one, and as outlined by some observers (McKevitt and Lawton, 1996) *“it may be unrealistic to expect any system of performance measurement to satisfy the interests of all stakeholders”*. What is required, is a cost-effective approach that can be adapted for the differing needs of these different groups.

With regard to key features of a performance management system, ie the independent variables, it has been shown how performance measurement is a pre-requisite for accountability, for value for money and, in terms of local authorities, for Best Value. As stated in “SODD” circular 16/97 *“Performance information is a key element for planning, resource control and performance review Performance information is an essential element of best value, if*

strategic and operational plans set the framework for best value then performance information is the life-blood of the system”.

The performance of an organisation is primarily a reflection of its management. There is a need for a systematic planning and review framework. A simplified planning process and the performance measurement and feedback elements that are required at different levels, at different stages and for different groups are shown below:

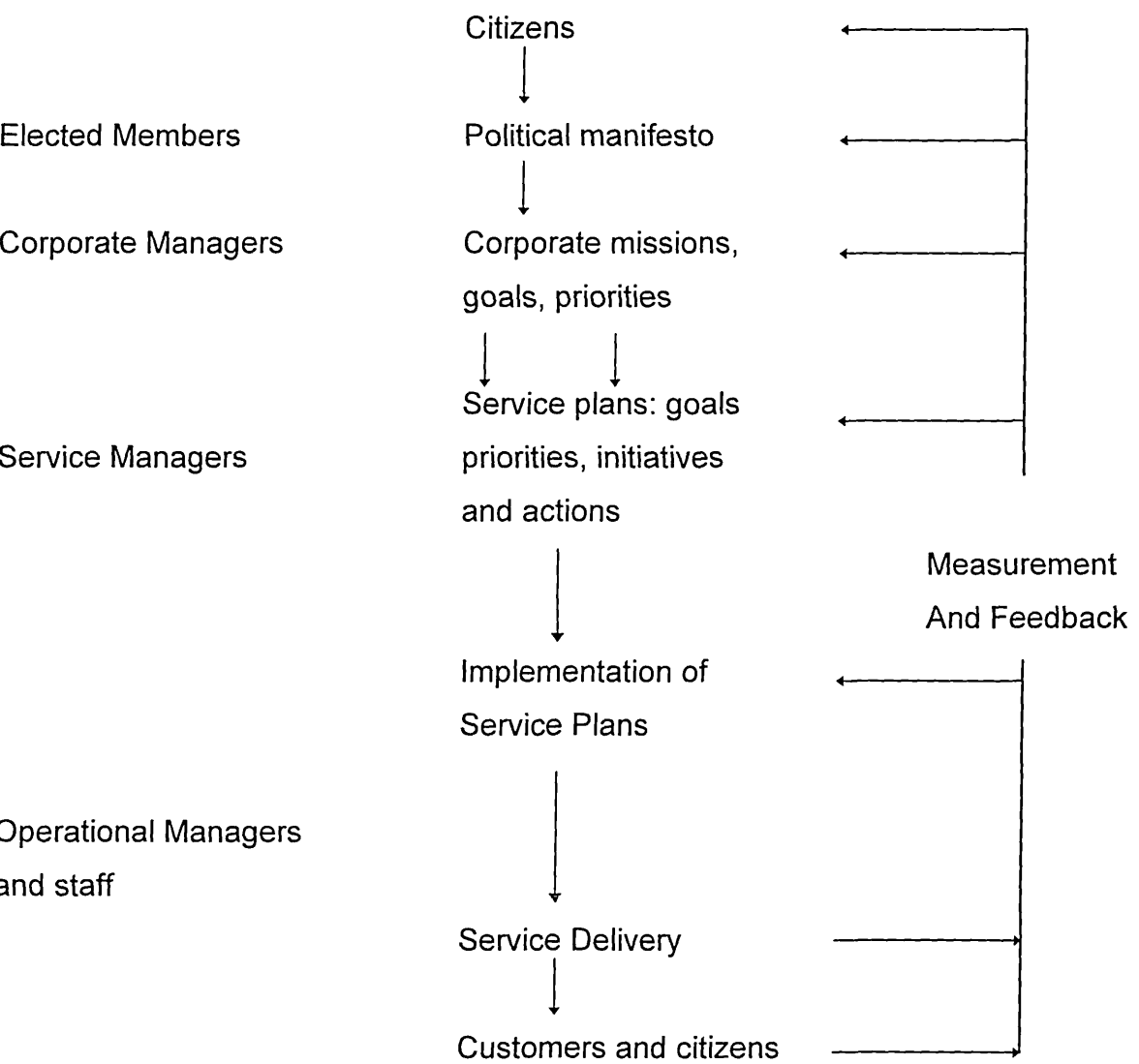


Figure 7 - Planning, Performance Measurement And Feedback

At an operational level, feedback on performance is required for managers and staff to allow them to link the service results achieved to the implementation of service plans, often on a day-to-day basis. Differences, or variations, between

actual results and those planned need to be identified and acted upon. These performance measures are largely required for control purposes: controlling performance and service delivery to meet standards, targets and objectives.

A feedback loop is also required to the service planning stage so that both management control and management learning can take place. As stated by one observer (Jackson, 1993) *"Performance monitoring need not be used only as a means of organisational control In the strategic management perspective it is a means of organisational learning"* Management and organisational learning, link to continuous improvement, so that in the next planning cycle, learning and experience from the last set of planned and achieved results can be used to improve performance further. The same control and learning feedback should also occur at corporate level so that progress on corporate goals can be reviewed. In addition, the continuing appropriateness of these goals can be assessed and informed decisions can be made about priorities and resource allocation.

Performance Management Culture

There are of course many intervening variables, a number of which have already been referred to. For example, as outlined in the introduction, the Council was an aggregating authority where three District Councils and a Regional Council were merging into one and there was a need to bring these four different organisations together. In the DLO's/DSO's part of the solution was to introduce a performance management culture using a wide-range of performance measure. Corporately the Council embarked on a major culture change programme as a means of fusing the new organisations together.

Culture change programmes have their roots in the discourse of excellence associated with the Conservative Government philosophy and policies of the 1980's and early 90's (Du Gay, 1996) and, as such, have been much more than passing fads in managerial theory and practice (Wilmott, 1993). A number of features characterise these programmes (Legge, 1995; Mabey and Salaman, 1995; Bate, 1996). They are based on the belief that "winning the hearts and minds" of employees is critical to the success of organisational change. They are rooted in a view that the culture of an organisation can be manipulated and

consciously planned by senior management and contribute significantly to performance. They are, in effect, programmes of culture reconstruction designed to constitute new identities for all levels of employees which are consistent with the overarching vision and values of the organisation. They focus on leadership as the engine for creating and changing culture. They employ remarkably similar vocabulary with terms such as team working, employee empowerment, participation and involvement and a set of new human resource management policies designed to change employee attitudes which would, in turn, produce a new pattern of employee role behaviour resulting in greater efficiency and job satisfaction.

In organisations undergoing such programmes of change there will inevitably be employees at various levels in the organisational hierarchy who are less than enthusiastic about such programmes. Early advocates of these programmes tended to discuss the views of such people as representing those who did not understand where their true interests lay (Fox, 1974). More recently, however, criticisms of such programmes have begun to appear in academic literature. These criticisms concern the conceptual clarity of the practitioner's views of culture (Meek, 1988) the ideological and ethical nature of culture change programmes (Wilmott, 1993; Alvesson and Wilmott, 1996), and their empirical justification for their success (Casey, 1996; Legge, 1995; Rodrigues, 1996). In this last group perhaps one of the most provocatively titled of these critical accounts of cultural change came from Harvard researchers who challenged the readership of the Harvard Business Review with "Why change programmes don't produce change" (Beer et al, 1990).

From the perspective of change management, culture change programmes have also been criticised for some of their rather questionable operating assumptions. For instance, some observers (Beer et al, 1990) as referred to above, argue that the failure of such programmes derives from the all-important assumption that attitude change necessarily leads to behavioural change. In fact they argue that what the organisation wants is behavioural change, and that this is better driven (directly) by new roles, responsibilities and relationships, ie structural change. This perspective has increasingly led to the proposition that cultural change programmes have frequently left out an important part of the story, namely the role

and influence of structure. For example, some observers (Eccles, 1994) argue that structure and culture should not be seen as separate, discreet entities. In practice changing structure is the more powerful, direct route to behavioural change. When radical change is required the efficiency of attitude change programmes are questionable. Structure (accountabilities and linkages), reward and performance criteria (performance management) and key appointments are far more potent and immediate weapons to use to galvanise an organisation. Empirical results from a case study organisation (Hope and Hendry, 1995) would certainly seem to support this line of argument.

The Transfer of Private Sector Techniques to Public Sector Organisations

Another questionable assumption that is often made is that private sector techniques can readily be transferred into public sector organisations. For example, it is argued (Boland and Fowler, 2000) that, although public sector management shares much in common with, and is significantly influenced by, practice in the private sector, in many respects performance management in the public sector is relatively more complicated due to the absence of a single overriding goal which ultimately dominates private sector organisations, that is, the motivation to make profits and provide satisfactory returns to stakeholder interests. Therefore, public sector organisations are differentiated from their commercial counterparts in the private sector in that, in the public sector there is no profit maximising focus and little potential for income generation. The vast majority of public sector organisations still receive most of their income from the Government and have to account to several stakeholders. It is further argued (Boland and Fowler, 2000) that in relative terms, performance measurement is still in its infancy, or at least its adolescence, in the public sector. Some observers on the other hand (Dorsch and Yasin, 1998) take a different view in that, although public organisations typically face unique operational concerns and a strategic environment that differs from the private sector, public sector organisational goals and objectives are similar to those of the private sector and, as such, the approach for attaining them should be no different. Indeed, it is further argued (Holloway, Francis and Hinton, 1999) that managers, be it in the public or private sector, are under constant pressure to improve performance of their organisations. They are expected to satisfy a number of stakeholders, achieve increases in efficiency as well as effective attainment of organisational goals. They frequently

turn to new approaches to help with these challenges, such as, total quality management (TQM), business process re-engineering (BPR) and benchmarking, which may in due course come to be regarded as last year's model but at the time of adoption are usually the focus of great expectations.

It is interesting to note that it has been suggested (Van Granberg and Teicher, 2000) that there has been a global phenomenon in public sector management which advocates a paradigm shift from administrative to managerial values. The policy, where public servants have their roles changed to managers and the public to customers, serves to strengthen demonstration of the diminishing role of Government and the increasing reliance on the market. Local government managers have been compelled to adopt a variety of private sector principles and practices, to reorganise structures around programmes and strategy, and to adopt the financial and human resources management approaches of the private sector. However, the same authors (Van Granberg and Teicher, 2000) accept that under these conditions the transformation of local government administration into a managerialist model has been illusory, or at best only partial, because of the combination of the prescribed nature of the Government's reforms and the inherent tensions and contradictions emerging in the practice of new public management. The paradox of the new public manager is that, rather than gaining greater strategic managerial control and autonomy envisaged by the private sector model, a more intensive control over council managers by central Government has emerged.

In terms of the public sector adopting the principles and practices of the private sector it has been pointed out (Dorsch and Yasin, 1998) that both local and national governments world-wide have sought ways to reduce operating costs while maintaining or even improving efficiency and efficacy of services. However, for the public sector to realise these goals and objectives it may need to look beyond its immediate environment and be willing to share information with, and learn from, its private sector counterparts. Benchmarking (as referred to earlier) has the potential, when utilised systematically, to enhance organisational efficiency and effectiveness for organisations in both the public and private sectors. On the other hand, some observers (Holloway, Francis and Hinton, 1999) suggest that in the public sector all too often benchmarking is simply

equated with locating one's organisation in a league table of some prescribed performance indicators - a focus on results rather than the process which drive them. In part, this reflects the constraints imposed by working in traditional contexts where the financial bottom line is all that matters.

In addition, it is argued (Kouzes, Löfller, Klages, and Korac-Kakabadse, 1999) that with the prevailing emphasis on performance, customer focus, stakeholders' interests and other methods of assessment in many public sectors, administrative practitioners have taken to benchmarking as an instrument for assessing organisational performance, for facilitating management transfer and for learning from other benchmarking organisations. However, the introduction of benchmarking into the public sector is still in its early stages. Technical problems, scepticism about usefulness and appropriateness of transferring competencies into public sector administration, and the resistance of accepting organisational change as a necessary consequence of benchmarking in the public sector, prevent widespread acceptance and use of benchmarking in public sectors, arguably punch-drunk with systemic change. It is further argued that performance is the key word permeating all discussion about new public management (OECD, 1993). Part of its attraction is that performance is a broad concept and has various meanings for different audiences in different contexts (Carter, 1991). This makes the design of performance indicators (PI's) in both the private and public sectors very difficult. Besides the technical problem of operationalising an abstract concept, the same set of PI's may need to answer many different questions. Whereas performance measurement in the private sector is, in general, seen as something normal (the assumption being that the private sector is imbued with a performance-based culture) conventional wisdom suggests that there are special characteristics of the public sector which make performance measurement inappropriate or, at least, very difficult. Two sets of circumstances are commonly used to explain the differences in public/private performance measurement (Carter, 1991). The first assumes, that because private sector firms putatively adhere to bottom-line profit requirements, performance measurement is a straightforward technical procedure. The second explanation focuses on the particular social and political pressures on public sector agencies. Public services operate with a fixed budget, and consumer groups are in competition with each other for scarce resources. The market solution to this is to introduce the 'user

pays' principle in selecting public services, so that users of a service are the actual people paying for the service. But the imperative of a welfare state precludes this market option from economic text books. This problem of scarce resources implies for performance measurement in the public sector that a certain degree of insensitivity to consumer demands is positively desirable in order to protect the interests of those vulnerable consumers, least satisfied with service delivered and with the least resources for either 'exit' or 'voice' modes of protest (Klein, 1984). In other words consumer satisfaction cannot be the only, or dominating, dimension in performance measurement in the public sector and has to be handled with considerable caution.

As illustrated, there are key issues that need to be taken into consideration when transferring private sector techniques into public sector organisations. Indeed, as stated (Boland and Fowler, 2000) *"in many respects performance management in the public sector is much more complicated in relative terms, performance measurement is still in its infancy, or at least its adolescence, in the public sector"*. Performance measurement has, however, developed at a pace in recent years, as has the nature of local authority management. It is this development and the evolving nature of local authority management that is considered next.

The Evolving Nature of Local Authority Management

A recent survey of 36 local authority chief executives in the UK (9%) identifies the capacities required by the paid head of service considered central to the effective exercising of the CE's role (Broussine, 2000), capacity being defined as *"the power of containing, receiving, experiencing, or producing"*. From the survey these capacities were identified as being:

- to work with the political dimension
- to lead, change, and develop the organisation
- to maintain personal perspective and self-knowledge
- to develop effective external relationships, and
- to maintain focus on strategic and long-term issues

The survey further suggests that the most important capacity is, *"to work with the political dimension"*. This includes:

- working at the boundaries of politics and management
 - knowing where the chief executive role begins, and where members' start
 - mixing own ideas with political reality, and
 - balancing what is rational and what is political
- building strategy in relation to members
 - turning members' ideas into something realistic
 - facilitating members' understanding of the needs of the community, and
 - asking members to look ahead and decide what they want to achieve
- maintaining effective relationships and trust with elected members
 - influencing the direction of members
 - dealing with elected members' expectations
 - maintaining an appropriate relationship with the Leader of the Council
 - building relationships and trust, and
 - spotting political trouble by working formally with members

This aspect of working with the political dimension and the relationship between the chief executive, and indeed all managers, and elected members, makes the task of managing in local authorities significantly different from that of managing in the private sector. Public sector managers, therefore, have to take these issues into consideration when transferring private sector techniques into public sector organisations. Such issues, and more specifically the issue of relationships, have also been cited by others (Drucker, 1990) in terms of the basic difference between non-profit organisations and private sector businesses. Here, it is suggested, there are so many more relationships in the typical non-profit organisation that are vitally important, whereas, in all but the very biggest businesses key relationships are relatively few, ie employees, customers and owners.

Relationships between elected members and managers have also been described in terms of committees and working groups (Wilson and Game, 1994), where it is

suggested that, *“Committees (and perhaps more especially member/officer working groups) enable councillors to acquire special knowledge in specific policy areas, thereby hopefully producing more informed debate. In such forums there is also an element of informality which often encourages councillors to speak more freely. At the same time, however, committees have been criticised for lengthy decision-making.”* The authors also suggest that the “job” of the councillor is, *“to represent and be accountable to the electorate in formulating policies and practices for the authority and monitoring their effectiveness and providing leadership for the community”*. They further suggest that the management role in local government can be seen as the converse of the policy-making role. Whilst policy making should be the responsibility of elected members, with the support and guidance of officers, the operational management of the authority should be the responsibility of the officers. However, it is also argued (Stewart, 1990) *“that although officers carry out the work of operational management, the council remains responsible for that work. The council must be satisfied with the economy, efficiency and effectiveness of operational management. Councillors determine the framework within which management operates and must be concerned with its results”*.

With regard to the role of the political leader, this has been described (Hambleton, 1998) as, *“The political leader provides strategic and policy leadership, sustains authority by management and leadership in the political group and council, and converts political priorities into policy and action”*. The same author describes the role of the chief executive as, *“The chief executive works closely with the politicians to think and plan ahead. While the role involves the management of all council staff the chief executive has wider responsibilities relating to the development of processes, people and skills.”* It is also interesting to note that the duties of elected members were summarised in the book *“Scottish Councils at Work”* (Thomson, 1981) as:

- *“to represent a constituency and to be sensitive to its needs,*
- *to take share in determining the policy of the authority,*
- *to see to it that those whose duty it is to carry out the policy do so effectively, and*

- *to act as a channel of communication between the council and constituents and vice versa."*

The author also summarises the objectives of a council's corporate management as, *"to achieve a situation where the needs of the community are viewed comprehensively and the activities of the local community are planned, directed, and controlled in a unified manner to satisfy those needs to the maximum extent consistent with available resources."*

As already described in 'the transfer of private sector techniques into public sector organisations', the trend towards marketisation in the delivery of public services is based on the assumption that competition results in improved outcomes such as greater efficiency, higher quality of service, a clear focus on customers and better value for money. However, it is suggested (Brown, Ryan and Parker, 2000) that aspects of in-house commercialisation may present a compelling alternative to adopting the more dramatic approach of privatisation or contracting out of local government services. This approach of in-house commercialisation has not only opened the opportunity to develop new models of public sector operation, but also provided for the retention and consolidation of the traditional model. Whilst commercialisation usually implies a focus on greater cost efficiency, it is argued that success will ultimately depend on capacity of the process and structure design to include a range of public values. It is further argued that it is important to focus attention on quality and the 'public' nature of services, rather than simply the bottom line and cost recovery aspects of commercialisation. Thus there is a need to redefine the meaning of commercialisation to incorporate a wide range of non-profit outcomes affecting public service agencies.

These views are further endorsed by others (Glynn and Murphy, 1999) in terms of the notion of public sector accountability. In their view accountability is, broadly speaking, *"the process via which a person or group of people can be held to account for their conduct"*. It is suggested that the Government has assumed that market and quasi-market mechanisms would be sufficient to resolve issues of public accountability as to whether or not public services actually represent value for money. There have certainly been a number of improvements with respect to efficiency, but little has been done to improve understanding of how effective

services are. Effectiveness can be thought of in terms of two elements: outcome, as experienced by specific individuals, and impact, the broader achievement of core societal objectives such as having a healthy, better-educated society. It is further suggested, that the democratic process has to decide on the base requirements of public services, and that until there is a concerted move to consider and more actively delineate the special qualities of public service, and the shape of 'public regimes and regulation' much of the scenario seems destined to remain in place. The notion of accountability and the distinction put forward that policy (for which politicians are accountable) and operations (for which managers are accountable) is somewhat artificial. Indeed it is further suggested that a cynic might conclude that good news is a result of policy decisions and bad news is a result of operational management (Glynn and Murphy, 1999).

Furthermore in the article *"Learning to Manage within Limited Resources: Coping Strategies and Learning Breakthroughs in UK Local Government"* (Boviard and Davis, 1999) it is suggested that certain frameworks can be used to assist authorities to plan their approaches to managing within limited resources: to situate what they have already done and what they plan to do within a wider portfolio of tactics and strategies. It is further suggested that learning to get *"more from less"* in local government through the application of systems like benchmarking and quality management, needs further significant refinement (as referred to earlier) if the costs and benefits of resource management strategies are to be systematically evaluated.

It is also interesting to note that it is argued that the goals in non-profit making organisations are often ambiguous because of conflicts over perceived stakeholder interests and a lack of knowledge about the relationships between measures and goals (Buckmaster, 1999). Goals are broad and value laden, representing such outcomes as enhanced education, effective prevention of substance abuse and improved quality of life. Such goals are typically altruistic, qualitative, long term, intangible, people orientated, and non monetary (Kanter, 1979; Drucker, 1990; Salipante, 1995). It is further argued, that traditional performance measurements are inadequate for monitoring achievement of these goals, prompting the need for superior methods that integrate quantitative and

qualitative information (Osborne, 1994; Murray and Tassie, 1994). It is suggested that outcome measurement is such a method.

There is also the challenge for non-profit organisations to discover management tools and methods to facilitate and accelerate organisational learning (Pedler and Aspinwall, 1996). The importance of organisational learning is acknowledged in the management literature (Argyris and Schon, 1978; Fiol and Lyles, 1985; Levitt and March, 1988; Senge, 1990; Huber, 1991), yet the non-profit sector is rarely seen as a rich source of learning. The contract culture and competition for funding imply a need to develop strategies to learn quickly (Pedler et al, 1997). Indeed it is suggested (Senge, 1990) that the organisations that will truly excel in the future, understand the significance of organisation learning in affecting performance.

It is interesting to note that in the Foreword to the book *"Managing Performance in Local Government"* (Rashid, 1999) the CEO of the London Borough of Lambeth writes *"The management of performance is a grinding daily task, which needs the skill and commitment of public service managers. Of course elected members can assist this process, but without active public service managers it cannot be achieved the last few years have seen an important development. It has become clear that the old ways of assessing performance on an ad hoc basis at individual, service and organisational levels are no longer relevant. The new local government environment requires managers to adopt much more coherent and holistic approaches for their mixed economy of service provision in a fast changing environment that demands quality, value for money and social justice."*

This concept of adopting a much more coherent and holistic approach in the new local government environment is also endorsed by the Society of Local Authority Chief Executives and Senior Managers. In its submission to the Scottish Executive, *"Best Value: The next steps"*, it states *"Best Value in Scotland is of central importance to the effective and efficient management of our public services. However, the major public reform programmes do not fit together. They have different accountabilities, different inspectorates and different performance indicators. We believe tying the aims of separate policies to common objectives would produce the kind of quality of life outcome indicators that Best Value should*

achieve. In this respect we believe it would seem deeply illogical to legislate for a duty of Best Value for local government only and to create different duties with different accountabilities and different inspection regimes for other services.” (SOLACE, 2000).

It is particularly interesting to note, in terms of the modernising agenda for local government, in the book *“Managing in the New Local Government”* (Corrigan, Hayes and Joyce, 1999) in the Series Editors’ Foreword it states *“Managers in local government, not only find themselves in the midst of great pressures for change, but also engaged in efforts to promote the more modern public services whilst developing their own role and skills local government managers are expected to make logical and accountable decisions, to develop appropriate organisational and service cultures, to use their power within and on behalf of local government structures with care, and to develop individual employees and organisations (innovation). Thus the accent is on the responsibilities of the manager as much as it is on their role in the control and in the performance of the details of management. This new management requires many new skills if these responsibilities are to be discharged”* (Paul Corrigan and Paul Joyce, 1999).

The above examples illustrate clearly the evolving nature of local authority management and the changing face of performance measurement in local authority organisations in particular. Indeed, as has already been described, the purpose of performance measurement is, directly or indirectly, to drive behavioural change. It is important to influence behaviour to change performance outcomes in the direction as identified as good. To achieve these objectives, the organisation must ensure that those whose performance is being measured are aware of the nature of the balance of measures and that moving the measures in the good direction will contribute to the achievement of the organisational aims. Changing the organisation’s performance culture can also be greatly aided through empowerment (Smith, 1995) giving employees more freedom in how they do their work. For example, employees who work with customers have less need to consult or communicate with their supervisors. Empowerment is also a key element in team working and it is team working as a mechanism for implementing the performance management regime which is considered next. Team working,

as has already been shown, is a cornerstone of the Council's aims and values. An understanding of the concept is, therefore, important.

Team Working

Creating and empowering work teams has been a well practised initiative during the last decade and there are many examples of it being successful (Schilder, 1992; Boaden and Dale, 1993; Montebella and Brugzotta, 1993), but equally, there are many cases of where the full potential has not been delivered (Allender, 1993; Logan, 1993; Uklfelder, 1994). A common problem with these latter cases is that the management required to both design and implement continuous change have not made sufficient change in their own management styles and behaviour to support the change initiative. It is not enough to change structures, processes and the organisation of the business, there has to be a change in the way managers manage for the desired change to be realised. Managerial competencies of leadership have to be developed (Fulmer and Goodwin, 1991). Teamship rather than leadership is a pre-requisite of a team-based organisation (Schonberger, 1994). Managers have to learn to let go.

What Is A Team?

A team is *"a small number of people, with complementary skills, who are committed to a common purpose, performance goals, and an approach for which they hold themselves mutually accountable"* (Katzenbach and Smith, 1993).

Small, because a small number of people are better able to work through their differences and achieve their purpose.

Complementary skills, are needed for the team to be effective.

Purpose and performance, go hand in hand. The specific performance goal helps a team track progress and hold itself accountable; the sense of purpose supplies both meaning and emotional energy.

Committed to a common approach, requires team members to agree on who will do what, what skills need to be developed, how continuing membership is earned and how the group will make and modify its decisions.

Mutually accountability, in which the team hold themselves collectively responsible for their team's performance.

It is argued (Katzenbach and Smith, 1993) that many organisations confuse imprecise thinking about teams, with teamwork, and lack discipline in applying every aspect of the above definition. It is further argued that the truly committed team is the most productive performance unit leaders have at their disposal - provided there are specific results for which the team is collectively responsible and provided the performance ethics of the organisation demands these results (Montebello and Buzzota, 1993).

Team Empowerment

Empowerment is critical to the success of the team and considerable frustration can be experienced by teams and team leaders by the confusion caused through the lack of ground rules on empowerment. The team leader needs to know the scope of his/her authority and what decisions can be taken without referral (Preston, 1993). This is fundamental because without a context for decision making and the ability to take action there will frequently be conflict and misunderstanding (Meyer, 1994). Clarity of this issue is critical at the design and implementation stage as are the following during the team building process.

Team Building Process

There are four main areas that teams experience problems, whether it is a new team, or one that has been working for some time (Irwin, Plovnick and Fry, 1995):

- Problems with goals

- Problems with roles

- Problems with procedures

- Problems with relationships

Clear goals must be established so that all team members can commit to them. In a new team, people will argue over priorities and how achievable they are, whereas, in more mature teams people rarely take time to share their objectives

with their colleagues, helping others to gain an appreciation of their pressures and priorities (Robinson, et al, 1991).

Clear roles of what individual members need to do in order to meet the team goals have to be specified. This includes understanding the boundaries of each of the roles, the extent to which the role holder sees the role compared to others views, and the extent of any overlaps in responsibility (Harris and Nicholson, 1990).

Clear procedures concerned with a team's effectiveness are principally centred around how decisions are taken, the establishment of clear authority levels, communication processes and how the team conducts its meetings. In the early life of a team, typical issues will be poor timekeeping, poor listening and poor decisions. As the team develops these will improve (Ludeman, 1994).

Clear relationships is concerned with what individual team members feel about each other, the extent to which they have respect for each other, the extent to which they understand the needs of each other, and the basic values and attitudes of the team. Many relationship issues are actually the result of a lack of clarity of roles, poor understanding of team goals or misplaced expectations of decision making and responsibility (Sims and Sims, 1993; Donnellon, 1993; Lynch and Werner, 1994).

A recognition and understanding of team working and the complexities of using it as a framework to implement a performance management culture is considered important in the overall context of the research.

Conclusions

The purpose of the chapter was to consider the background and history of performance management, and performance measurement in particular, in local authority direct labour organisations. A literature review relating to the research and more specifically, the literature relating to the research questions was also provided. Having reviewed the literature, it is evident that measurement plays an important part in the functioning of any organisation. Measures of performance are used as a means of tracking overall performance, of highlighting potential areas for improvements, of setting improvement targets and providing incentives

for individuals and teams. However, not all measurement systems are effective. If effective, a performance measurement system provides focus, facilitates planning and control, helps to identify significant performance deviations, enables appropriate corrective action to be taken, can change attitudes and behaviour and can stimulate long-term improvement. If ineffective it distracts attention from important issues, causes confusion, causes defensiveness, and can adversely affect performance.

It has also been shown that managing in the public sector differs from that in the private sector. Although public sector management shares much in common with, and is significantly influenced by, practice in the private sector, in many respects performance management in the public sector is relatively more complicated due to the absence of any single overriding goal which is the motivation to make profits (Boland and Fowler, 2000). Furthermore, managing in the public sector is also significantly different to that of the private sector because of the need to work at the boundaries of politics and management. This requires managers in the public sector, particular local authorities, to develop and maintain effective relationships and trust with elected members (Wilson and Game, 1994; Broussine, 2000). These issues, therefore, have to be taken into consideration when transferring private sector techniques into public sector organisations.

Consideration was also given in this chapter to the literature relating to a number of supplementary factors, which have a bearing on the implementation of the performance management regime, in particular team working. This has shown that there is conflicting evidence as to the value of teams in helping to implement and support change initiatives. If, however, the four main areas in which teams experience problems are addressed, ie problems with goals, problems with roles, problems with procedures, and problems with relationships (Irwin, Plovnick and Fry, 1995), then the truly committed team can be the most effective unit for implementing change programmes.

Finally, it has also been shown in this chapter that there is conflicting evidence as to the effectiveness of change programmes generally. The advocates of such programmes cite their successes, whilst the critics can equally illustrate examples of their lack of success. There is, however, one issue on which all are agreed,

which is, that such programmes are very much a long-haul exercise, there are no short term fixes - although there is evidence to suggest that structure, reward and performance criteria and key appointments are more potent and immediate weapons to use to galvanise an organisation. In the Council, the structure had been determined (1996) in support of the corporate aims and values; the key appointment of the Corporate Manager to head up the Competitive and Technical Strategy Sector had been made; rewards and payment structures had yet to be rationalised; and the implementation of a performance management regime, using a wide range of measures, was about to be implemented. It seemed, therefore, that the implementation of the performance management regime into the Council's DLO'S/DSO'S, using a team based approach, would prove to be a worthwhile research project and have the potential to make a significant contribution to the enhancement of professional practice in the area of public sector performance management.

CHAPTER 3

CHAPTER 3 - HYPOTHESES, METHODOLOGY AND DATA COLLECTION

Introduction

The purpose of this chapter is to outline the key factors considered necessary for the successful implementation of performance management systems in DLO's/DSO's, to state the hypotheses and the research methodology, and to describe in detail the manner in which the research was undertaken. From the review of the background and history of performance management systems in local authorities it has been shown that such systems have had only limited success in improving the monitoring and control of performance in these organisations. The literature would seem to suggest that there are many reasons why failure can occur. Principally, however, there would appear to be four main areas of concern:

- *Commitment* - for the successful implementation of any initiative, commitment from all levels of the organisations, particularly from the Top, is critical. Without this commitment the initiative, in this case a performance management regime, will fail. Evidence for this was shown with the introduction of PBR systems in the DLO's/DSO's throughout the 1960's/1970's.
- *Culture* - to be successful, the introduction of performance management systems must become part of the culture of the organisation. Indeed, it has been suggested that performance measurement is the "*life blood*" of local authority DLO's/DSO's (Accounts Commission 1999).
- *Comprehensiveness* - the performance management system must be comprehensive so that it covers a wide range of performance measures. This is essential in order to address both the short and long-term issues of the organisation, ie put all the pieces together in order to see the whole picture. It also needs to be comprehensive in order to influence decision making at all levels of the organisation, ie strategic decisions for the continued success of the organisation as well as day to day decisions at an operational level.

- *Correctness* - the performance management system must be technically sound in terms of system design so that organisational objectives influence performance criteria at all levels and reporting mechanisms and frequencies are appropriate to each of those levels.

In summary, therefore, a performance management system will only be successful if it has Commitment from the top, becomes part of the Culture of the organisation, is Comprehensive enough to show the whole picture and is Correct in terms of soundness of design.

Hypotheses

The hypotheses for this research, therefore, are that:

“The implementation of a performance management regime using a wide range of performance measures into local authority direct labour organisations improves the monitoring, control and ultimate success of these organisations”

and that

“The development and application of frameworks can assist with the implementation of such initiatives and contribute to their success”.

Research Methodology

It was originally considered that the methodology to be adopted for the research would be that of a multiple case study and the intention was to survey all 32 Councils in Scotland. However, on progressing down this route it was established that the Accounts Commission were about to embark on a similar survey and, not wishing to conflict with this, and the fact that the Accounts Commission would receive 100% response, ie Councils are legally obliged to respond to requests from the Accounts Commission, it was decided that a single in-depth longitudinal case study would be the better option.

Case study research in all its forms is a complex and multifaceted topic. It deals with empirical methods, ie collecting evidence, and emulates procedures from the physical and biological sciences (otherwise known as the natural sciences) in

pursuing enquiry. Among the working assumptions are that the facts of the case can be established objectively, that theory-driven enquiries are to be preferred, and although the emulation of these features does not mean that case study research represents a natural science, the more the emulation, the greater the confidence in the results from the Positivist's perspective (Yin, 1998).

Positivism

The philosophy which underpins the Positivist's approach (Burrell, 1996) puts it into the Objectivist category, where the world is external and objective, science is value free and the researcher is independent, objective, and will focus on the facts in order to establish law-like relationships. This is, of course, opposite to the Subjectivist category where the world is socially constructed and understood from the perspective of individuals, science is value laden and the researcher, as the observer, is part of the observation and will focus on meanings in order to understand what is happening.

The Positivist view of the separation between the social world and the individual's cognition suggests that a single external world exists which can be studied. The objective of a Positivist is to explain and predict elements of the social world by studying its regularities and relationships (Burrell and Morgan, 1979). This is attained through research which is objective and free from social influences of tradition and values. It assumes that expansion of knowledge is cumulative and linear and that truth exists in the external world (Slife and Williams, 1991).

As already indicated, the opposite to Positivism is Subjectivism. Subjectivists have a nominalist perception, and perceive the social world very differently. Nominalism assumes that the social world cannot be separated from people's perceptions of it. Reality is, therefore, socially constructed with names and concepts the means by which the world is described and understood. In terms of debate, Subjectivists are voluntarist (Burrell and Morgan, 1979). It is, therefore, perceived that people have a free will, and knowledge is generated by logical thinking or reasoning. Thus people are not passive, but have an inherent capacity for generating knowledge. Subjectivists presuppose that the social world can only be understood from the perception of the individual being studied. Unlike

Positivism, it is based on the belief that there is discrepancy between the objective of the study and the way the researcher delineates it (Guba and Lincoln, 1994).

Some observers (Burrell and Morgan, 1979; Donaldson 1996) in their assumptions about the nature of social sciences emphasise this Positivism/Anti-Positivism polarity and expand on the characteristics of Positivism by outlining that it is based on a generalist theoretical framework applicable to all organisations. It employs comparative empirical research with measurement of variables and statistical analysis of data. The theory is deterministic in that structure determines effectiveness, it is closely informed by empirical research and is consciously scientific with the aim of achieving knowledge akin to the natural sciences.

The principal distinction between Positivists and Subjectivists is their perception of the social world. Positivists differentiate between the external (social world) and the internal (individual cognition). Consequently reality is considered to be independent of human appreciation of it. Subjectivists, on the other hand, reject the notion that there can be a separation between the two worlds of the inner subjective and the external objective, the focus is on explaining how individuals experience and describe the world.

Post-Positivism

Developments over the years have seen a change in the methodologist's approach from Positivism to what is referred to as Post-positivism (Trochim, 1999). Post-positivism is not merely an extension of Positivism it is a methodology in its own right and indeed rejects many of the central tenets of Positivism. Post-positivists are realists like Positivists, they believe that a single reality exists independent of social factors (Tashakkori and Teddie, 1998). They also believe that empiricism is the basis of research, that phenomena can be directly observed and measured, usually deterministic in nature and based on linear cause and effect.

However, although both Positivism and Post-positivism embrace realist ontology (Trochim, 1999), the concept of realism may be split into absolute realism and critical realism. Positivist's have an ontology of absolute realism, where truth is determined and there are no doubts about the accuracy of the measurement

process. The ontology of critical realism, however, is central to Post-positivist's (Cuba and Lincoln, 1994; Tashakkori and Teddie, 1998). As critical realists Post-positivists are sceptical about the ability to discover truth with any certainty, as observations and theories are open to error (Trochim, 1999). Therefore, where Positivism and Post-positivism depart is that Positivism automatically assumes unbiased objective techniques expose the truth, whereas, Post-positivism is concerned with the fallibility of measurements. Consequently, triangulation, or as in case study research, a wide diversity of evidence (Maxwell, 1996), is used as a means of minimising the limitations of any one technique.

Positivists and Post-positivists also have differing perspectives on how research is best conducted. Although both assume that the interviewer is objective, Post-positivists believe that researchers are inherently biased by culture and personal experiences, as a result clinical objectivity and value free axiology is not possible (Trochim, 1999; Tashakkori and Teddie, 1998). All inquiry and research is value laden and consequently to some extent socially constructed (Guba and Lincoln, 1994). Nevertheless, unlike constructivists, Post-positivists reject the relativist notion of incommensurability of different perspectives (Trochim, 1999), and suggest that stable relationships exist and can be measured in a probabilistic sense (Miles and Huberman, 1994). Indeed, the research process as a whole is progressive, so through the replicability of results and convergency of pieces of evidence an inherent bias will be at the mercy of natural selection (Smith, 1998).

Consequently, while Post-positivists believe that understanding reality will always be unique to the individual (epistemology relativism) reality itself is independent and an external reality does exist (ontological relativism). This is in contrast to Positivists who are ontologically and epistemologically abolitionist (Smith, 1998). Therefore, Post-positivists are transcendental realists in that there is a belief that some reasonably stable relationships exist among social phenomena and casual links can be made in a probabilistic sense (Miles and Huberman, 1994; Tashakkori and Teddie, 1998). This enables themes and links to be generated through the interpretation of different aspects of the individual's world through the interview process (Kvale, 1996).

As already stated, methodological approaches have evolved significantly over recent years (Tashakkori and Teddle, 1998). Originally there were two schools of social science, the purist era (Hammersley 1990), ie Positivism = Social Structure, Social Facts = Quantitative Hypothesis Testing, and, Anti-Positivism = Social Construction = Hypothesis Generation. The research methodologies relating to these two concepts were, therefore, Quantitative Research and Qualitative Research. Quantitative gives the widest possible coverage, it is fast and economic and provides statistically robust conclusions. It is, however, inflexible and artificial, does not provide understanding or explanations (although these may be derived from the analysis of data), and cannot be used to generate theory. On the other hand, Qualitative research allows the researcher to understand the processes and meanings, can contribute to the formation of new theories, and can look forward in time as well as historically. It is, however, costly and time consuming in design and implementation, and the results may be less convincing. This case study, although largely Quantitative, does contain Qualitative data also, ie mixed methodology which is now much more accepted (Trochim, 1999).

Case Study Research

As stated earlier Case Study research is a complex and multifaceted topic (Yin, 1998). This was a single longitudinal case study and the assumptions were that the facts of the case could be established objectively and the research could be designed around the same replication logic that underlies the design of scientific experiments. The difficulties of the replication of these and other features from the natural science methods does not mean that case study research represents natural science, as has already been outlined, only that the more emulation the greater the confidence from the Positivist's perspective (Jankowicz, 1991).

In carrying out this case study there were three main processes which needed to be considered (Maxwell, 1996). The first, was having the capability to deal with the diversity of evidence; the second was the ability to articulate research questions and theoretical propositions; and the third was the production of a research design. It is appreciated that, although these processes are listed here in a linear fashion, doing case study research truly involves the continued interaction among design, data collection and analysis (Yin, 1998).

Dealing with diversity of evidence from various data collection techniques is a critical factor in all case studies (Maxwell, 1996). It was recognised at the start of this case study that a broad range of diverse types of evidence would be produced and it would be essential to use each type to the best of the current state of the art. It was essential, therefore, throughout the research, to continue to monitor methodological developments for many techniques. Table 2 (Source: Yin, 1994a) lists the six types of evidence most commonly used in case study research and it will be shown in this case study how each was used, and how supplementary evidence from other sources was added.

SOURCES OF EVIDENCE	STRENGTHS	WEAKNESSES
Documentation	Stable - can be reviewed repeatedly Unobtrusive - not created as a result of the case study Exact - contains exact names, references and details of an event Broad coverage - long span of time, many events and many settings	Retrievability - can be low Access - may be deliberately blocked Biased Selectively - if collection is incomplete Reporting Bias - reflects (unknown) bias of author
Archival Records	Same as above for documentation Precise and quantitative	Same as above for documentation Accessibility due to privacy reasons
Interviews	Targeted - focuses directly on case study topic Insightful - provides perceived casual inferences	Bias due to poorly constructed questions Response bias Inaccuracies due to poor recall Reflexivity - interviewee gives what interviewer wants to hear
Direct Observations	Reality - covers events in real time Contextual - covers context of event	Time consuming Selectivity - unless broad coverage Reflexivity - event may proceed differently because it is being observed Cost - hours needed by human observers
Participant Observation	Same as above for direct observations	Same as above for direct observations

	Insightful into interpersonal behaviour and motives	Bias due to investigator's manipulation of events
Physical Artefacts	Insightful into cultural features Insightful into technical operations	Selectivity Availability

Table 2 - Six Sources Of Evidence - Strengths And Weaknesses

A key issue with this array of evidence is to use it in a converging manner. The methodological goal is to apply the concept of triangulation (analogous to the use of the concept in geometry and the defining of a point in space with three vectors). Using the concept for the case study method, a robust fact may be considered to have been established if evidence of three, or more, different sources coincide. To get such convergence it is essential to ask the same questions of the different sources of evidence.

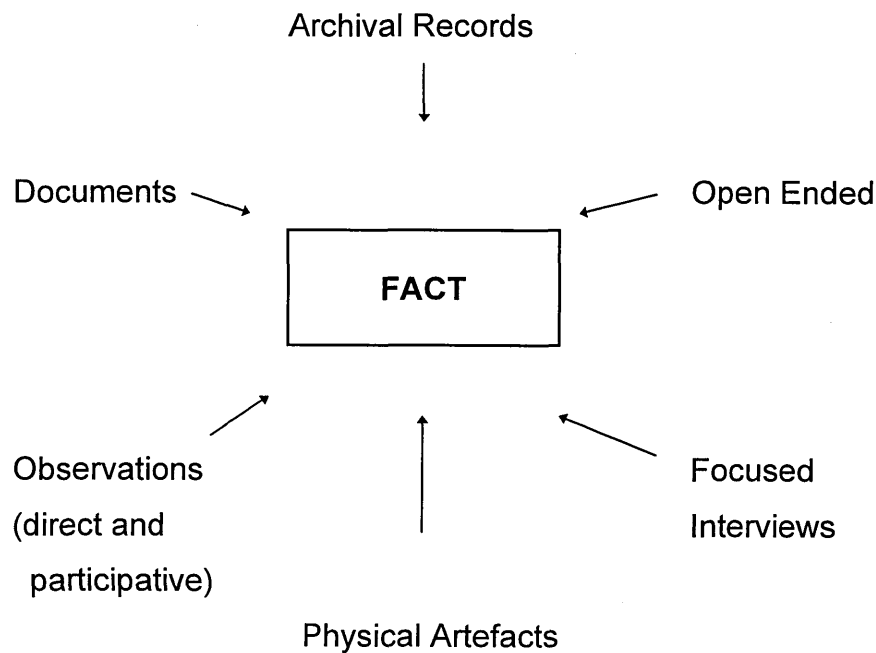


Figure 8 - Convergence Of Multiple Sources Of Evidence (Single Study)

In summary, when a diverse array of evidence is used to converge on the facts of a case study, one aspect of the basic information of case studies has begun - reliance of multiple sources of evidence (Yin, 1994a).

This particular case study is what is known as an explanatory case study. It highlights the situation and theoretical propositions where how and why questions are the driving force. There are, however, alternative types of case studies where interest lies in descriptive and exploratory questions. In this respect, case studies are like other methods, each can have explanatory, descriptive or exploratory versions. However, descriptive case studies should be avoided for the reason that all description is selective (Yin, 1998). To think that a case study can cover everything is to overlook this inevitable selectivity and also leads to an impossible undertaking. Exploratory case studies on the other hand, are normally undertaken when the available literature or existing knowledge base is poor, offering no clues for conceptual framework or notable propositions. A new empirical study is likely to assume the characteristic of being an exploratory study (Kidder and Judd, 1986).

The design of the case study is the logical sequence that connects the empirical data to the study's initial research questions and ultimately to its conclusions. The research design is an action plan for getting from here to there, where here may be defined as the initial set of questions to be answered, and there is some set of conclusions (answers) about these questions. Between here and there may be a number of major steps, including data collection and analysis.

There is also a need to continually judge the quality of the case study design. Four tests have commonly been used to establish the quality of any empirical social research : whether the study has (a) construct validity, (b) internal validity, (c) external validity and (d) reliability (Kidder and Judd, 1986). Table 3 (Source: Yin, 1994a), lists eleven recommended tactics covering the four tests and indicates the research phase in which each tactic might most likely occur (some tactics will occur during more than one phase).

TESTS	CASE STUDY TACTIC	PHASE OF RESEARCH IN WHICH TACTIC OCCURS
Construct Validity	Use multiple source of evidence Establish chain of evidence Have key informants review draft case study report	Data collection Data collection Composition
Internal Validity	Do pattern matching Do explain building Do time series analysis Do logic models	Data analysis Data analysis Data analysis Data analysis
External Validity	Use rival theories within single cases Use replication logic in multiple case studies	Research design Research design
Reliability	Use case study protocol Develop case study database	Data collection Data collection

Table 3 - Case Study Tactics For Four Design Tests

Finally, in carrying out the analysis phase there is a need to make sure this is of the highest quality. This is because the analysis phase in case study research is still a primitive art (Yin, 1994a). There is a need, therefore, to show that all relevant evidence has been examined in an exhaustive manner; to include the major rival interpretations, and use the evidence to address these rivals; focus on the most significant research questions which led to the case study; and, compare the analytical procedures and findings to as much prior research as possible. Only by taking such an approach will the findings of case study have the necessary validity.

Survey Methods And Techniques

Having indicated that the research methodology would be largely that of a Quantitative approach, ie a case study, it was initially intended to use questionnaires in order to gather quickly the information required. During the research it was found that a survey was being undertaken by the Accounts Commission (SR 98/1 Controller of Audit, 1998) on all DLO's/DSO's in Scotland. This survey was carried out in response to concerns by the Scottish Office as to the general performance of the DLO's/DSO's, and in particular their financial

performance. The results from this survey were used to make comparisons with the case study research undertaken within the Council which concentrated on a longitudinal survey of the development of a performance management culture within the organisation. This longitudinal survey provided valuable information which helped to illustrate changes in attitudes to utilising performance measures over time. It is appreciated, however, that such surveys pose many problems (Van de Ven and Huber, 1985; Pettigrew, 1990) and postulates two types of question: What are the antecedents or consequences of change in organisational forms or administrative practices? And, How does organisational change emerge, develop, grow or terminate over time? With regard to the designing the questionnaire, initial interviews were carried out with the key personnel within the Council, in particular, the Corporate Manager in the Competitive and Technical Strategy Sector and his nine Service Managers. The methodology adopted was that of an unstructured interview, so that as a consequence of the discussions appropriate questions could be constructed.

It has been stated that all forms of investigative work involve four main stages (Jankowiz, 1991). Gaining entry to the field; defining the researcher's role; doing the work under supervision; and leaving the field. As the researcher was already working in the organisation, and actively involved with performance review, gaining entry in this sense was already assured. However, gaining entry in the sense of being an in-house consultant and gaining entry in the sense of being a researcher are two different things. Some observers make reference to this (Thompson, 1993) and describe it in terms of *"the changing terrain of Popular Management Theory"*. In this, three main exponents are identified: the Consultants - drawing on lessons from cases; the Managers - writing about lessons of experience; and the Academics - reporting on the research. The role of the researcher in this case was that of the Academic.

Continuing to define the role of the researcher, some academics have observed (Eden and Sims, 1979) that there are three possible roles: those of the Expert, the Empathiser, and the Negotiator. The role of the Expert is one who has coercive powers, a power that comes from the techniques deployed to resolve problems that the managers face in respect of establishing performance measures for their Service. The researcher can also be perceived to be in the role of the

Empathiser, ie one who operates by offering his/her services as a sympathetic problem-solver to those closest to the problem. The third role is that of the Negotiator, where one focuses on the perceptions of the issues and subject matter being investigated and handles the task of problem definition and resolution co-operately. In this role the work will become explicit, because others will have shared in its planning, many of the assumptions will be shared by other people, and the research goals will have been discussed and debated over in detail (Burgess 1982b).

Constructing The Questionnaire

In constructing the questionnaire it was important to pilot it. The main reason for this was that it would be the last opportunity to check that things were correct before committing all the time and effort required to completing the survey. Lists are provided (Reeves and Harper, 1981b) which itemise the points to be covered, eg Is the sampling method correct? Is the size of the sample appropriate? Is the right guidance given to respondents on how to answer the questions? etc. Other critical questions to be considered at this stage were: Will the answers provide results which will be informative? Can they be analysed easily? Will there be a need to run a two stage pilot?, etc. An example of a two-stage pilot (Hare, 1970) is where stage one consists of supervised trials of a few respondents, then after making adjustments, stage two is the dry run. This two-stage process gives further opportunity to refine and streamline the questionnaire. Lastly, on constructing the final version, the phraseology was revisited once more to ensure that it was clear and unambiguous. Scales and scaling used were also revisited (Hackman and Oldham, 1995), particularly in relation to Causal/Analytical research, ie does x cause y. In other words, does the emphasis on a wide range of performance measures, contribute to the overall success of the organisation.

It is important to stress that much of the research concentrated on performance measures which were considered to be commercially sensitive and all that could be done to encourage co-operation and increase survey response rates was considered. This included: promoting the survey in advance to help lay the foundations; assuring confidentiality, etc (IDS Study 462, 1990).

The pilot run provided valuable information on how best to analyse the returns. Computer software was used to assist with the analysis. Packages such as Minitab for Windows are helpful, although with open ended questions there may be a need for some cognitive mapping software, eg Graphics COPE, which is a management analysis tool used to identify clusters of responses and deal with more qualitative issues. It was important to remember during the analysis that the interpretation of the data must relate to the initial question and that the essence of all empirical data is that there should be new observations made in order to check out the assertion, and that the hypothetico - deductive (scientific) methods must consist of the theory; the hypothesis; operational definition; measurement and verification (Goldstein and Goldstein, 1978; Berger and Patcher, 1988).

As has already been pointed out, measurement, testing and verification of the data was particularly critical. This is to say that measurements had to be valid ie they had to be accurate with some alternative measurement method used to arrive at the same answer (Triangulation). They had also to be reliable, that is, precise, ie the same answer should be obtained on re-measurement assuming the situation has not changed. (Brimberg and McGrath, 1985). In relation to verification, it was possible during the research to carry out some supplementary discussions with a number of the respondents. These discussions could be said to be random, ie based on non-probability sampling (White, 1982) where identifying and questioning of respondents is based on interest in their individual positions, roles or background experience. Different questions were put, the specific technique is based on variety in the topic area, the interest is in the idiosyncratic viewpoint of the respondent which can be used to verify the results of the original interviews/questionnaires.

Testing the Hypotheses

Various methods were used to test the hypotheses and the full range of data gathered was utilised for this purpose. Hypothesis testing is always seen as provisional, anyway, in the sense that whilst doubt can be cast on, or even overturn, a theory by disproving the hypothesis, a theory can never be verified as true by proving the hypothesis. All that can be done with a proven hypothesis is to say that the theory remains intact today (Giere, 1979). In these hypotheses, it was possible to carry out a field experiment during the study where the dependent

and independent variables were identified and whose impact on each other was observed. It was also possible to use the results from the survey conducted by the Accounts Commission (SR 98/1 Controller of Audit 1998) of all 32 DLO/DSO organisations in Scotland and, the subsequent survey by the Accounts Commission (SR 98/2 Controller of Audit) which investigated the DLO/DSO with the largest financial deficit, to help validate the results of the longitudinal survey carried out in the Council.

Data Collection

The purpose of this section was to describe in detail the manner in which the case study research was undertaken and to highlight the significant events which influenced the research programme. Attached (Appendix A) is a profile of the programme which illustrates the key stages of the research under three separate, but implicitly connected, activities. Activity (1) relates to the development of the performance management regime within the DLO's/DSO's of the Council; Activity (2) the development of quality assurance as a specific element within the performance management balanced scorecard; and Activity (3) the development of supplementary initiatives, including the introduction of the European Foundation for Quality Management model (EFQM, 1993) into the Council, listed last. The research profile is the result of logging the actual events against those which were planned when the programme was originally formulated in 1996, ie *“doing case study research truly involves the continued interaction among design, data collection and analysis”* (Yin, 1996).

Research Activity (1) - The Development of the Performance Management Regime

In the introduction to this thesis it was shown just how diverse the services provided within the Council's Competitive and Technical Strategy Sector were. The fact that four different organisations (3 District Councils and 1 Regional Council) were being merged into one, merely added to the problems. Galvanising these Services into a coherent, efficient and effective business sector of the Council was the main objective of the Corporate Manager, and the main mechanism employed to achieve this was to introduce a performance management culture based on a balanced scorecard. It is the introduction of this balanced scorecard, using the framework (FIT Concept) described below to assist

with the implementation, that is the subject of Research Activity (1). This not only endeavours to show the outcomes of the performance management regime in achieving that objective, but also the outcomes in attaining the desired changes in behaviour.

Focus Improvement Team (FIT) Concept

It is considered important to explain the mechanism used to implement the performance management regime into the Council's DLO's/DSO's and to outline how it was derived. The mechanism is known as the FIT concept - FIT being an acronym for Focus Improvement Team. The concept was developed by the author in preparation for the new Council and in support of its corporate aims and values. As outlined in the introduction to this thesis shadow Councils were elected in April 1995 in order to prepare the way for the new Councils to operate effectively from day one (1 April 1996). Part of that preparation was to address a number of critical issues which would need to be put into place for the new Council. One of these issues was to establish corporate aims and values and a cornerstone of these aims and values was to introduce team working. As stated by the Chief Executive at the time, *"Team working, through partnership between elected members, managers and staff, will be the norm throughout the Council"*. The FIT concept was consequently developed to help support this corporate initiative and was the mechanism used to introduce the performance management regime. The concept has also become an integral element within the performance management balanced scorecard as an indicator of the DLO's/DSO's commitment to service improvement. An explanation of the FIT concept is, therefore, considered important.

The FIT concept was originally derived from some earlier research carried out by the author into team working within the context of Employee Involvement Programmes, specifically Staff Suggestion Schemes (McColville and Wood, 1990). The acronym FIT (Focus Improvement Team) was the product of the need to address (Focus on) a problem, to effect a positive change (Improvement) through bringing together a group of people (a Team). The acronym seemed to FIT the bill and of course, provided endless potential for marketing and promotion, eg FIT for purpose, FIT organisation, etc. The concept also had the potential to be developed to help support the new Council's corporate aims and values of

team working, and was subsequently refined to facilitate multi-professional team working, be applicable to any type of project and be flexible enough to be used at any level in the organisation.

FIT is basically a systematic and structured approach to team working and project planning. It addresses all the key problem areas of team working as outlined in Chapter 2, ie problems with roles, problems with goals, problems with procedures and problems with relationships, and, as stated, is applicable to any type of project. The concept consists of two principal documents, the FIT Charter and the Forward Plan. The FIT Charter is the terms of reference for the project and specifies all the key elements of a normal terms of reference, eg who is responsible for what, what the objectives are, etc (Ludeman, 1994; Lynch and Werner, 1994; Donnellon, 1993). The Forward Plan is in the form of a Gantt Chart and shows pictorially the key activities and critical dates (Meredith and Mantel, 1995; Robinson et al, 1991). A major benefit of using the FIT Charter approach as opposed to a normal terms of reference is that all the information is contained on two A4 sheets, one for the Charter and one for the Forward Plan. This was one of the reasons the concept was so readily embraced by both the elected members and senior management. The fact that it also kept everyone focused on the overall objective was another key benefit. Indeed, as stated by the Corporate Manager during the final set of interviews, *"The FIT concept has helped to standardise the approach to project management. It has also brought a transparency which was not evident with the traditional project terms of reference in that objectives and responsibilities were sometimes obscure or lost amongst the verbiage. With so many critical projects running in parallel across the organisation the need to monitor and control these effectively is vital. FIT has provided the degree of control required and has contributed significantly to the effectiveness of project management, not only in the DLO's/DSO's, but also in other parts of the Council where it has been applied"*. Specifics on the application of the concept along with details of the inter-relationships and interdependencies of FIT projects operating at strategic, tactical and operational levels in the organisation are described within the context of the research programme which follows.

Creating a FIT Charter to Establish a Present Position Statement

Having determined that the introduction of a performance management regime would be the change mechanism to help galvanise the Competitive and Technical Strategy Sector into a coherent, efficient and business sector of the Council, it was necessary to establish a position statement on the manner in which Services reported performance in their previous organisations. In February 1996 in order to do this a draft FIT Charter for the introduction of Key Performance Indicators (KPI's) for all DLO's/DSO's was created. The purpose of this charter was firstly, to help convey the FIT concept to the DLO/DSO managers, and secondly, to give them an opportunity to comment on the content of what was being proposed. A Forward Plan and associated timetable was also available for comment. This aspect of engaging those involved, is a critical factor in the creation of the FIT Charter and is based on the assumption that their Participation plus their Involvement equals their Commitment ($P + I = C$). In other words, those who are party to establishing the various objectives and key dates are much more likely to be committed to them (Katzenbach and Smith, 1993). It is also critical where multi-disciplinary professionals are involved because of the need to seek their views and expertise as to the feasibility of what is being proposed. A copy of the FIT Charter and Forward Plan is shown in Appendices B and B₁ respectively.

Survey on Previous Reporting Arrangements

Several meetings were held with the DLO/DSO managers in order to firm up on the FIT Charter and also to initiate a survey to establish the present position statement on current and previous performance indicators and reporting arrangements. In the survey each Service was asked to provide information under four specific headings:

- Local Government Act 1992
Publication of Information (Standards of Performance) Direction 1995
- Citizen's Charter Guide 1994/95
- Committee Reports
- Management Reports

From the survey it was shown that reporting formats, frequency and content varied considerably. The fact that reporting was done in four culturally different

organisations (3 District and 1 Regional Council) merely added to the variety of reporting methods. For example, one Service reported its quarterly results to Committee on two A4 sheets, where another Service required a 132-page report for a similar period. There was consequently a need to rationalise and where possible standardise on the reporting formats. Appendix C shows a sample of the performance indicators and reporting arrangements present position statement for one of the DLO's.

In addition to establishing a present position statement on the current and previous indicators and reporting arrangements within the Council's DLO's/DSO's, it was also important to do some external environmental sensing and research into the performance indicators and reporting methods used by others. Publications such as the Local Government Act 1992 - Publication of Information Direction (1995); the Citizen's Charter Guide (1994/95); Local Authority Accounting Handbook (1995); all provided useful information on the performance indicators required. Indeed, the performance indicators listed in Local Government Act (1992) for certain local authority Services, including some of the DLO's/DSO's, were required to be published by law. These so called Statutory Performance Indicators (SPI's) would need to be taken into consideration and included along with the Key Performance Indicators (KPI's) once identified as critical for monitoring Service performance. Consideration during this information gathering phase also took into account the performance indicators and reporting methods used by a number of other local authorities DLO's/DSO's. It was as a consequence of reviewing this information that a Proposed Performance Indicators/Measures for all the Council's DLO's/DSO's (Appendix D) was established and submitted to the Commercial Services Management Committee for approval and ratification. The FIT Charter and Forward Plan (Appendices B and B₁) were also approved at the meeting.

It was interesting to note the views of the Corporate Manager at this early stage of the project. On one hand, ie officially, he was very positive about implementing a performance culture using a balanced scorecard approach, on the other, ie unofficially, he was not so upbeat. Indeed, during one of the initial discussions he stated *"There are going to be major problems with this project - performance management is like a foreign language to many of the DLO/DSO Managers"*.

Meeting of FIT on PI Reporting for First Quarter

A FIT meeting was held to discuss the list of proposed performance indicators which had been approved by Committee and to consider which of the DLO's/ DSO's could provide what information for the first quarter returns (1 April to 30 June 1996). This PI Gap Analysis was done under three separate headings:

- Can provide for first quarter
- Can provide partial information (qualify)
- Cannot provide information

The resultant information for six of the DLO's is shown in Appendix D₁ a similar listing was completed for the DSO's. The meeting was also used to confirm the key dates on the FIT Charter Forward Plan to ensure that everyone was aware of the commitment being made to provide a comprehensive performance indicator report for the first quarter to the Commercial Services Management Committee meeting on 27 August 1996. All DLO's/DSO's representatives agreed to this, although it was interesting the reaction from some of them to having to provide the information. One individual's reaction was: *"Alright my Service will provide you (ie the FIT Project Owner) with the information you've asked for!"*. That individual had to be advised that it was the Commercial Services Management Committee and his Corporate Manager that required the information, not the Focus Improvement Team.

First Semi-Structured Interviews with the DLO/DSO Managers

As already outlined in the introduction to this thesis, the purpose of the research was to investigate the outcome of introducing a range of performance measures, both financial and non-financial, as a means of controlling the organisation and to effect behavioural change. It was also specified that the most appropriate survey method for the research was to use questionnaires. The first set of semi-structured interviews with the DLO/DSO managers was used to help construct the questionnaire in detail in order to ensure that it would address all the key areas. The reason for this was the fact that the results from this first set of interviews would establish the benchmark for the longitudinal survey against which, all subsequent survey results would be compared. It was important, therefore, that these were full and comprehensive (Reeves and Harper, 1981b; Hare, 1970).

Another important point that needed to be considered and which required clarification with each of the managers prior to the commencement of the interviews was the role of the researcher. This was outlined earlier when three main exponents were identified (Thompson, 1993) ie the Consultant - drawing on lessons from cases; the Manager - writing about lessons from experience; and the Academic - reporting on the research. The role of the researcher in this case was that of the Academic and not that of the Consultant which was the normal relationship with the managers.

The questionnaire (Appendix E) was designed to cover the six main areas listed in the performance indicators approved by the Commercial Services Management Committee for all the DLO's/DSO's, ie Finance, Workload, Human Resources, Vehicles, Quality and Supplementary Factors. The purpose of this was to identify which measures they used within each area, the frequency of use, the manner in which they were used, how important the measures were for monitoring, controlling and managing the Service, and how important they were for motivating staff. The questionnaire was also designed to ascertain the managers' perception and views on the following:

- performance indicators being more about setting goals than assessing achievement (Sneddon, 1991).
- the importance of having a balance of performance indicators (Kaplan and Norton 1991 and 1996; Thor, 1994).
- the importance of profit and loss (Price Waterhouse, 1996).
- the importance of performance indicators in establishing strategy (Fitzgerald et al 1991; Tidd, 1994).
- the importance of the use of performance indicators for influencing behavioural change (Creelman, 1996).
- the manner in which some performance indicators may increase whilst others decrease (Campi, 1993).

- the use of performance indicators to aid empowerment and influence behavioural change for the good (Smith, 1995).
- performance indicators representing the control panel of the business and becoming the compass for influencing direction at both operational and strategic levels.
- whether the number of performance indicators used would increase or decrease in the future.
- whether performance indicators were used for rewards payments.
- whether there was confidence in the mechanism/process used for rewards payments.
- if an alternative rewards payment mechanism was shown to be directly related to organisational performance would it be used.
- what was considered to be a realistic maximum payment (ceiling) for rewards as a percentage of salaries.
- any final comments on the use of performance indicators.

The questionnaire was considered comprehensive enough to cover all the key areas of the research.

Report of the First Quarter's Performance Indicators

The first quarter (1 April - 30 June 1996) for all DLO's/DSO's was reported to the Commercial Services Management Committee of the Council at its meeting on 27 August 1996. The fact that the deadline had been met was a surprise to several of the DLO/DSO managers, and although many of the performance indicators required to be qualified and a number could not be provided, generally speaking all DLO's/DSO's had made a good attempt to provide the range of information

required. Appendix D₂ shows an example of the submission made to the Commercial Services Management Committee meeting.

At the meeting there were a number of concerns raised. The first of these related to the fact that not all DLO/DSO managers were interpreting the information or calculating performance in the same way. A simple example of this was Labour Turnover. Normally the method used to calculate this factor is to divide the number of leavers in any one period by the average number of employees for the same period, then multiply by 100 to provide the percentage turnover. However, some Services were including part-time and full-time employees in the same calculation, others were including Administrative, Clerical and Professional staff along with Manual and Craft employees. While none of these methods is in itself incorrect, there was certainly a need for consistency and to standardise the method of calculation. What was required was a Glossary of Terms describing each performance measure, what it should contain and how it should be calculated.

The second concern which arose from the meeting was the size of the performance indicator report and the length of time it took the Committee to go through it. There were more than 140 pages of key performance indicators and accompanying notes which took almost four hours to discuss. While it was acknowledged at the meeting that it was the first report of its type and that everyone was at the lower end of the performance indicator learning curve, it was also acknowledged that the process of reporting would have to be much slicker and this would have to be addressed for future meetings.

In order to address the problem of different interpretations being made of performance indicators, a FIT Charter was drafted for a small team to establish a Glossary of Terms for all performance indicators. (The Glossary would help ensure that everyone using the performance indicators would know exactly to what they referred and how they were derived). This Focus Improvement Team, created at a second or Tactical level, would feed results into the main Focus Improvement Team, ie the team driving the project at a Strategic level, for approval and ratification. This linkage between a project at a strategic level and sub-projects at a tactical level or even further sub-divisions of tactical level

projects to create teams at an operational level, is part of the potential cascading or linkage effect of the FIT concept. This cascading helps to ensure goal congruence in respect of the overall project plan and is reinforced by the fact that a FIT Project Owner at one level should become Project Sponsor at the next level. Where a project requires teams to be created at all three levels, ie Strategic, Tactical and Operational levels, then it is feasible for the one person to be designated a Team Member in the Strategic FIT, a Project Owner in one or more of the Tactical FITs and a Project Sponsor in one or more of the Operational FITs. This role linkage is shown in the diagram below.

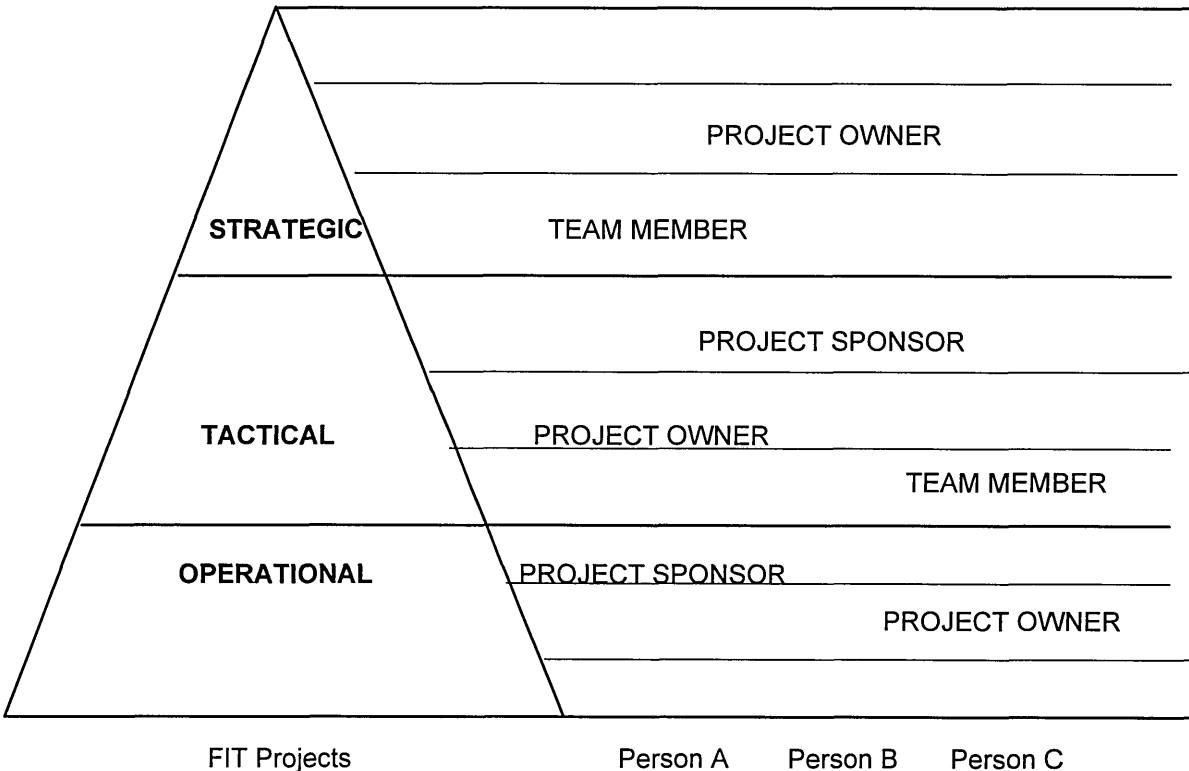


Figure 9 - Role Linkage In FIT Charters At Various Levels

A copy of the Tactical FIT Charter and Forward Plan for the Glossary of Terms is shown in Appendix F and F₁ respectively.

As the knowledge and understanding of performance information improved, there was a realisation that insufficient forward planning was being done to ensure that the collation and reporting of performance indicator information was being synchronised. In order to resolve this, a forward programme for the submission of

PI's was drafted and circulated. This helped to ensure that everyone involved in the performance indicator supply chain knew exactly what required to be provided and by when. A copy of the Forward Programme for Service Performance Indicators is shown in Appendix G.

By the beginning of 1997, some eight months into the performance management regime, it was evident that managers' perceptions and understanding of performance indicator's were continuing to improve. Some innovations (histograms, pie charts, etc) were being used by two of the managers to help improve the presentation of the information. There was, however, no reduction in the size of the performance indicator report to the Commercial Services Management Committee and discussions at Committee meetings continued to take up the bulk of the agenda. In order to help resolve this it was decided to create Member/Officer Working Groups to act as Sub-Committees for the Commercial Services Management Committee.

Eight member/officer working groups were established (each DLO/DSO having its own working group apart from Roads Services and Roads DLO which were combined). The role of these groups was to help improve elected member/officer understanding of performance information and how it should be used, ie become part of the learning process. The groups would also act as a filter for performance indicator reporting to the Commercial Services Management Committee and ensure that in future this would be by exception only. It was anticipated that these arrangements would significantly reduce the number of performance indicators being reported to Committee and the subsequent time required for discussion. The elected members on the working groups were also members of the Commercial Services Management Committee.

At the same time as the setting up of the working groups the performance indicator Glossary of Terms was published. This had been finalised only after considerable work by the Focus Improvement Team (Tactical) and after extensive consultation throughout the DLO's/DSO's. The glossary would be used extensively by members and officers to help assist understanding and improve the application of performance indicators. The publication of the Glossary of Terms and the setting up of the member/officer working groups occurred in March/April

1997, ie at the end of the first full year of operating the Performance Management Regime. Details of the Glossary of Terms are shown in Appendix H.

Second Set Of Interviews With DLO/DSO Managers

In June/July 1997 a second set of interviews was carried out with the DLO/DSO managers. At this time the operation and reporting on what was now a very comprehensive range of performance indicators was entering a new phase. Managers were becoming quite adept at using the performance measures to monitor what was happening within their Service. Many of them, however, continued to concentrate on using performance indicators for historical purposes only and not for forward planning and target setting (Sneddon, 1991). Indeed some of the managers seemed quite content to dwell on the fact that they were able to produce the indicators fairly readily and it was only when questions were asked as to what they were doing to improve certain indicators to the good, ie what action they were taking to improve a particular situation, there was a realisation that the information was there to help them manage. This was explained to them by using hypothetical examples, eg if a DLO had say 12% sickness absence, a third of which was due to strained backs, then that Service should investigate the cause/reasons for this, and take appropriate action to resolve it, ie some kinetic handling training to ensure manual lifting etc was done correctly. It was this concept of appropriate action to improve performance indicators to the good which some managers had difficulty in getting to grips with.

This aspect of taking corrective action to change performance indicators to the good, was suitably illustrated by the field experiment carried out to address sickness absence which was a problem in almost all the DLO's/DSO's. Indeed, it was a problem for the Council as a whole. A report to the Council on Attendance Management (Ref Gen 27/SR/22nd January 1999) stated:

"In the 12 months to 30 September 1998, a total of 241,918 working days were lost due to sickness. This is an increase of 30,274 days over the previous 12 month period. The theoretical cost of sickness is approximately £15 million per annum".

Research Field Experiment

In the summer of 1997 in order to address the sickness problem in the DLO's/DSO's approval was sought to carry out a pilot exercise (a field experiment in respect of this research) in one of the DLO's. The proposal was to address the problem of self certificated sickness by introducing a control procedure to help manage it. The control procedure introduced was the application of the Bradford Formula/ Factor. The Bradford Formula/Factor, as the name infers, originated in Bradford City Council. It is a system for triggering action for certain levels of sickness absence, the objective being to change the performance indicator to the good by reducing the levels of sickness absence.

In terms of the research, the introduction of the Bradford Formula/Factor into a DLO as a pilot was particularly significant. This provided an ideal opportunity for a field experiment, ie would the implementation of this control measure (corrective action) change the performance indicator for sickness absence to the good (effect improvement)? In other words, is there correlation? Does x cause y? Can the use of performance indicators (or action taken as a result of monitoring a performance) result in a change in behaviour? In October 1997 an agreement was, therefore, drawn up between DLO Management and the Trade Unions to introduce, as a pilot project, a procedure to monitor and control levels of self certificated sickness ie the Bradford Factor (see Appendix H₁).

In Chapter 2 reference was made to driving behavioural change and the need to ensure that those being measured are aware of the balance of measures and that moving the measures in the good direction will contribute to the achievement of the organisational aims. Behavioural change through changing the organisation's performance culture can also be greatly aided through empowerment (Smith 1995). Communicating performance information down through the organisation is a means of aiding that empowerment and helping to drive the desired changes in behaviour. In order to consider how best to disseminate the performance information down through the DLO's/DSO's a FIT Charter (Tactical) and Forward Plan were created in March 1998 (see Appendix I and I₁ respectively).

It can be seen from the FIT Charter that the purpose was to *"identify a limited number of key performance elements to be publicised in each Service"*. Initially it

was anticipated that the approach taken by the Focus Improvement Team would be to establish a standard format in which the information would be presented. However, it is interesting to note that, although this was discussed in some detail, it was concluded, after considerable consultation, that the presentation of information would vary depending on the type of employee being communicated with, the frequency of the communication and the method of communicating. (Two examples of the methods used to present the information are shown in Appendices J and J₁ respectively).

There was considerable interest shown by both the Commercial Services Management Committee and the DLO/DSO managers in the reaction and general perception of employees to the publication of performance information. Some of them were of the opinion that it was a waste of time issuing the information, although others thought that it would help to reinforce the message that the organisation was working hard to improve communications by keeping everyone informed. The fact that key indicators such as absenteeism, quality, finance, etc were being made available for all to see also helped to support the Council's aim of Openness and Accountability.

In order to assess the employees' views on the published information, a questionnaire was drawn up by the Focus Improvement Team created to implement the initiative. The questionnaire (Appendix K) was sent out to employees in September 1998 and the results analysed and published a month later in October. The results are discussed in detail in Chapter 4.

In May 1998, two years after the initial implementation of the performance management regime, a comprehensive report on development and progress was completed and submitted to the Commercial Services Management Committee for consideration. The report showed clearly how the DLO/DSO managers were using performance information not only to monitor and control the organisation, but also to help expand their business. An example of this was the Transport DLO successfully bidding for and winning, fleet maintenance contracts for the local Health Trusts and the Water Industry, all of which helped to improve asset utilisation and spread overhead costs. Similar examples of this in the other DLO's/DSO's was clear evidence of the increased understanding of managers in

using the indicators to manage their Service. Another important factor was that the knowledge and awareness of the elected members in performance management had also increased significantly. The results included in the Committee report are described in detail in Chapter 4.

Third Set Of Interviews With DLO/DSO Managers

A third set of interviews with the DLO/DSO managers was undertaken in June/July 1998. Again questionnaires were completed during this exercise. At this time, however, there had been a change in the DLO/DSO structure in that Property Services had been split into two, Property and Estates. The Corporate Manager now had ten DLO/DSO managers instead of nine reporting directly to him. In terms of the research this did not pose a significant problem, although it did highlight the difficulty which can be experienced with longitudinal surveys (Van de Ven and Huber 1985; Pettigrew 1990), and focuses on two types of question: What are the antecedents or consequences of change in organisational forms or administrative practices? And How does organisational change emerge, develop, grow or terminate over time?

Fourth Set Of Interviews With DLO/DSO Managers

The fourth and final set of interviews were carried out with the DLO/DSO managers in March/April 1999. This was to ensure, for the purpose of the research, that three full financial years - 1996/1997, 1997/1998 and 1998/1999 - were covered by the survey. It is interesting to note how the general views and perceptions of the managers had changed over that period. The results from this final set of interviews are discussed along with the results from the other three sets of interviews in the latter part of the thesis.

The completion of the fourth set of interviews concluded the work associated with Research Activity (1), the purpose of which was, as stated, to illustrate how successful the implementation of the performance management regime was in galvanising the DLO's/DSO's into an efficient and effective business sector of the Council. The results from this part of the research are discussed in detail in Chapter 4.

Research Activity 2 - The Development of Quality Assurance as a Specific Element

Quality and the delivery of quality services is a principal aim of the Council. It is, as a consequence, also a principal aim of the DLO's/DSO's. In Chapter 2 reference was made to the implementation of quality systems such as ISO 9000 in respect of Compulsory Competitive Tendering. Such systems had been operating in a number of DLO's/DSO's for some time and their extension to all DLO's/DSO's was considered important. Quality systems were, therefore, incorporated within the scope of Research Activity (2), however, the main subject of this research activity was to consider quality assurance as an integral part of a balanced scorecard and to show how this had been developed as a key performance indicator in conjunction with the other key performance indicators.

In the same way as a Strategic FIT Charter was drawn up for the implementation of performance indicators across the Competitive and Technical Strategy Sector, a similar FIT Charter was drawn up for quality assurance. This was done in August 1996 and was a result of a recognition that such systems, if extended to cover all parts of a Service, would help standardise the quality of service delivery and would also help to galvanise the organisation. A copy of the FIT Charter for the implementation of the quality initiative is shown in Appendix M.

The first task of the Focus Improvement Team was to establish a present position statement on the quality systems operating in all the DLO's/DSO's. In order to gather this information quickly a short questionnaire (Appendix M₁) was drafted and circulated to each Service. The results from this questionnaire were listed in tabular form (Appendix M₂) and summarised for the purposes of reporting to the Commercial Services Management Committee (see Summary of Analysis of Responses Appendix M₃).

The information on the current status of quality assurance systems in the DLO's/DSO's was submitted to the Commercial Services Management Committee on 4 October 1996 with recommendations on how to develop the quality initiative. These recommendations, which had been discussed and agreed by the Focus Improvement Team prior to being submitted to Committee, consisted of three primary proposals:

- Appreciation Talks - in order to raise the awareness of elected members, management and staff, appreciation talks on quality assurance and quality assurance issues in respect of performance management should be designed and delivered. Many observers see Top-down Training Programmes as essential to sell quality and quality improvement (McBride, 1993).
- Quality Audits - in order to assess the resource (financial and staffing) implications of conducting both internal and external quality audits, a review should be undertaken of these.
- Documentation Standards - in order to standardise on documentation (procedure manuals, forms, inspection check lists, etc) for all DLO's/DSO's, there was a need to review, rationalise and where possible simplify the documentation required for implementing, operating and monitoring the quality assurance systems.

A copy of the quality assurance systems report which was submitted to the Committee is shown at Appendix N.

After approval by Committee, three Tactical Focus Improvement Teams were established to progress the three quality assurance initiatives. The first task for these teams was to draft a terms of reference in the form of a FIT Charter in order to specify the critical factors for progressing each initiative. The manner in which these three tactical FITs linked into the strategic FIT is shown diagrammatically in Appendix O. A fourth tactical FIT, Research and Development in Relation to Establishing an In-House Accreditation Service is also shown in Appendix O. This particular initiative would be progressed by the Strategic Focus Improvement Team later. A copy of the Tactical FIT Charter and Forward Plan for "Standardising Documentation" is shown (Appendix O₁ and O₂ respectively).

The progression of the quality initiatives by the three Tactical Focus Improvement Teams were as follows:

- Appreciation Talks - Appreciation talks on quality assurance, and in particular ISO 9000, were designed for employees in January 1997. The presentation of these commenced in February 1997 and would be ongoing for the next eight months. The purpose of these, as far as the Council was concerned, was to raise awareness on quality issues in general and the quality of service delivery in particular.

Appreciation talks on quality were also designed for elected members and the DLO/DSO managers, and included an appreciation of the FIT concept. These were presented in November 1998. Again the purpose of the talks was to raise awareness on quality and team working and how these contributed to the performance management regime. (A copy of the programme for these talks is shown in Appendix Q).

- Documentation Standards - An initial task of the Focus Improvement Team, which was set up to standardise the quality assurance documentation, was to establish a quality assurance register for the Sector. The purpose of this register was to enable those with an interest in the subject to tap into the expertise available within the Sector for advice and guidance. The register contained a comprehensive listing of all those who were qualified in quality assurance, details of each DLO's/DSO's quality assurance system and contact telephone numbers for all Service quality representatives. Copies of the register were made available for those who required them. A copy of the contents page of the register is shown (Appendix P).

With regard to the standardisation of the quality assurance documentation, it was not until February 1998 that a guidance manual, containing all the documentation required to implement a quality assurance system, was published. A copy of the Foreword to the manual is shown (Appendix R).

- Quality Audits - the Focus Improvement Team set up to review quality audits, initially established a present position statement on the existing DLO/DSO audit programme. This included the frequency, timetabling and costs of the current arrangements for internal and also external (third party) audits. The

overall purpose of the review was to improve the sequencing of the audits in a way which would increase the utilisation of the existing qualified quality auditor expertise within the Council, provide a more balanced programme for audits and, as consequence, improve the overall efficiency of the quality audit programme.

As each of the Focus Improvement Teams completed their project it was considered important to maintain links on the Quality initiative. It was, therefore, decided to establish a quality forum for the Sector which would consist of representatives from each of the DLO/DSO. This forum would enable quality issues common to all Services to be discussed and would also act as a mechanism through which the development work on quality systems could be co-ordinated and maintained. The quality forum was established in March 1998.

Customer Surveys

When the performance management regime was originally introduced in April 1996 there were no formal customer surveys undertaken by any of the DLO's/DSO's. As awareness of the importance of the Customer as the key factor in service delivery increased, the number of surveys undertaken to ascertain the views of the customer also increased. By April of 1998, two years into the regime, customer surveys had become part of the management routine in all the DLO's/DSO's. The type of surveys undertaken varied considerably and included: formal questionnaires, door step surveys, customer feedback postcards (issued by Council workmen to the householder), even the councillor's clinics were being used to gather information on the views of the public. The information from these various sources was combined with the information gathered from each Services' complaints procedure, to influence the manner in which services were delivered.

With regard to the complaints procedures operated by the DLO's/DSO's, these were very much inherited procedures from the previous Councils. There were similarities in the systems, but there were also significant differences eg response times to answer complaints ranged from 24 hours to 7 days, depending upon the Service; definitions of what constituted a complaint were different; there were inconsistencies on how telephone and written complaints were handled, etc. Generally, there was a need for a consistent approach, ie for standardisation.

This standardisation took place in July 1998 and a corporate complaints procedure was published specifying the standards to apply to all Council Services. These standards were of course implemented by the DLO's/DSO's.

In the same way as standards were established as part of the corporate complaints procedure on procedures common to all Services, each Service was required to establish standards of service delivery specific to their own Service. These service standards would form part of each Service's customer contract which could then be used by the customer to compare service delivery against, ie the customer could assess the performance of each Service against the published standards.

Quality Assurance Register For The Council

Reference was made earlier to the establishment of a register for quality assurance with the Competitive and Technical Strategy Sector to cover all DLO's/DSO's. As quality was becoming a significant factor for all other Services within the Council, it was decided that there should be a quality register established for the organisation as a whole. This was to be based on the format of the quality assurance register already operating in the DLO's/DSO's, but to address the corporate needs of the Council and to cover all Services. It was anticipated that the benefits gained from having such a register in the Competitive and Technical Strategy Sector would be mirrored throughout the organisation from having a similar register for the Council as a whole. The quality assurance register for the Council was published in September 1998.

ISO 9001 - 2000 (New Quality Standard)

At the beginning of 1999 notification was received on the proposal to revise the existing ISO 9000 family of quality assurance standards and publish a new standard. The proposal is that this new standard (ISO 9001) will become the universal standard for quality assurance systems and will encompass ISO 9004, and eliminate the need for ISO 9002 and ISO 9003. The new standard will also be compatible with other management standards eg the Environmental Management System Standard ISO 14001. It is interesting to note that the intention is for the new standard to address what is referred to as "business excellence" and it will be even more interesting to see if this is the same as the

Business Excellence model also known as the European Foundation for Quality Management (EFQM, 1993) model and completes the circle! Details of the Business Excellence/EFQM model were provided earlier.

The circle has also been completed on Research Activity (2) the purpose of which was to illustrate how quality assurance had developed in the DLO's/DSO's and become an integral part of a balanced scorecard. The inclusion of ISO 9000 quality systems was to illustrate how the implementation of such systems can raise the awareness of quality as a key element in service delivery. Their inclusion also helps to highlight how customer focus developed within the DLO's/DSO's from almost a non-existent beginning in 1996 (no customer surveys undertaken) to a critical factor (a KPI) in 1998 (100% customer surveys undertaken). The development of the quality is discussed in detail in Chapter 4.

Research Activity (3) - The Development of Supplementary Initiatives

In Chapter 2 reference was made to establishing a framework to align performance measures in the DLO's/DSO's with the strategic planning of the organisation, ie balanced scorecard (Kaplan and Norton, 1996). Reference was also made to the use of the EFQM (European Foundation for Quality Management) model as a framework for continuous improvement. In the Council it was proposed to use the EFQM self-assessment process corporately across all Sectors, including the Competitive and Technical Strategy Sector (DLO's/DSO's), in order to establish a performance score for the organisation as a whole. This would be used as a means of identifying strengths and weaknesses within each Service and provide the basis for a process of continuous improvement. Although supplementary to this research in terms of the DLO's/DSO's, it is considered important to provide an outline of this development for completeness of the case study.

It is interesting to note that during the research, when using a systems approach to the organisation, ie Inputs - Process - Outputs, a model emerged which mirrored that of the EFQM model, ie Stage one of the development is shown in Appendix T (The Performance System) and illustrates the standard systems model. Stage two of development Appendix U shows the input/ process/output of

the systems model with the various elements added. Stage three Appendix V shows the various elements of the systems model simplified. Stage four of development is shown in Appendix X. It was at this stage that it was realised that the development of the systems model matched that of the EFQM model almost exactly. The EFQM model, also known as the Business Excellence model as already outlined, has two sides to it: the Enablers (Inputs and Process) using a systems approach which represents 50% of the model, and the Results (Output in systems terms) which represent the other 50% of the model.

EFQM Model (An Application)

In Chapter 2 it was shown how the EFQM model is a structured framework which sets out the key aspects which organisations need to address to achieve business excellence. The model was originally developed in partnership with many of Europe's leading companies. A public service version was also developed and was the version used by the Council.

The basic assumption in using the model is that the Enabling Strategies are there to create the organisation's Key Results, giving rise to a cause and effect process. The application of the model is in the form of a self-assessment questionnaire where organisations score each of the criteria in the model. The scoring criterion is based on two factors:

Enablers : Approach and Deployment

Approach - is it a robust approach with quality and review process built in?

Deployment - is the approach is applied across all relevant areas?

Results : Key Results and Scope

Key Results - are they guaranteed, improving, benchmarked, as a consequence of approach?

Scope - are all critical areas measured and are the measures relevant?

Total scores are marked out of 1000 and categories are weighted to reflect the levels of importance placed upon each, eg

ENABLERS :

LEADERSHIP (10% or 100 points) - How the behaviour and actions of the executive team and all others inspire, support and promote a culture of Total Quality Management.

POLICY AND STRATEGY (8% or 80 points) - How the organisation formulates, deploys, reviews and turns policy and strategy into plans and actions.

PEOPLE MANAGEMENT (9% or 90 points) - How the organisation releases the full potential of its people.

RESOURCES (9% or 90 points) - How the organisation manages resources efficiently and effectively.

PROCESSES (14% or 140 points) - How the organisation identifies, manages, reviews and improves its resources.

RESULTS:

CUSTOMER SATISFACTION (20% or 200 points) - What the organisation is achieving in relation to the satisfaction of its external customers.

PEOPLE SATISFACTION (9% or 90 points) - What the organisation is achieving in relation to the satisfaction of its people.

IMPACT ON SOCIETY (6% or 60 points) - What the organisation is achieving in satisfying the needs and expectations of local, national and international community (as appropriate).

BUSINESS RESULTS (15% or 150 points) - What the organisation is achieving in relation to its planned business objectives and in satisfying the needs and expectations of everyone with a financial interest or stake in the organisation.

A total score is required to provide an overall picture of the organisation's standing against the model.

Quality Scotland Foundation (QSF) promotes the EFQM model and uses a product called Facilitated Assessment for Chief Executives (FACE, 1997) Workbook, The Public Sector Edition, to assist organisations make use of the model. The management team (either corporate or department) completes a questionnaire which covers the nine parts of the model.

The self-assessment questionnaire can be completed relatively quickly and the results used to generate discussion and an action plan for improvement. Benchmarks are available from QSF, so that scores from one organisation can be compared with other types of organisations, which use the model. As the quality strategy unfolds, the self-assessment procedure is repeated at a pre-determined frequency. As well as benchmarking the results within the organisation, networks exist to help understand how other organisations in relevant fields are scoring their self-assessment. The results of the initial EFQM self-assessment in the Council are detailed in Chapter 4.

It may be of interest to note that there are 179 organisations in Scotland (including 8 Local Authorities, also COSLA) registered with the Quality Scotland Foundation and 1719 organisations in England (including 83 Local Authorities) registered with the British Quality Foundation.

It is also interesting to note that the most recent publication on the EFQM model (The EFQM Model, 1999) has a Public and Voluntary Sector edition. Section 7 of that edition, refers to *“the richness of differences that exist between different types of organisations In the public sector, the goals for management and modernisation will vary public sector modernisation and the new public management are common themes in the public sector and these are defined by characteristics such as:*

- *Greater responsiveness to the needs of customers or users of services*
- *Emphasis on performance and outcome management*
- *Introduction of standards of performance*

- *Greater communications of results*
- *Devolution of financial and personnel management accountability*
- *Appreciation of market forces and the creation of internal markets*
- *Privatisation of public enterprises*
- *Application of private sector management technologies*

The EFQM Excellence Model is a non-prescriptive framework that recognises there are many approaches to achieving sustainable excellence in organisations.” This helps to reinforce the concerns expressed in Chapter 2 regarding the transfer of private sector techniques into public sector organisations and the need, where required, to tailor and/or customise such techniques before applying them to the public sector.

Developing The Results Side Of The EFQM Model

It is also possible to develop the EFQM, in particular the Results side of the model (shown in Appendix X), into a reward structure for the organisation as a whole (Appendix Y). This reward structure is based on Aggregated Performance Measures which provide Universally Indexed Results. It is feasible, therefore, for those organisations using the model, ie the 179 organisations in Scotland and the 1719 organisations in England, to use this structure to compare year on year results and to utilise it as a means of payment/reward for their employees. The Results side of the EFQM model could also be developed to provide what is referred to as Dashboard Indicators. The analogy being that these are the critical indicators for the organisation which can be viewed at a glance and indicate how well the organisation is performing (see Appendix Y₁).

It is interesting to note that a further examination of the EFQM model, in respect of traditional incentive payment systems in DLO's/DSO's, which tended to focus on the manual workers, are part of the Processes (an Enabler), and constitute only 14% of the model (see Appendix X₁). This would seem to support the research

referred to earlier (Bowey A et al, 1982) in which it is suggested that too much emphasis is placed on payment systems which are designed solely to motivate the workforce. It would seem, therefore, that a reward structure based on the total organisation, as outlined, would provide greater goal congruence and overcome what appears to be the rather narrow perspective of traditional incentive payment system design.

This development of the EFQM model to provide Aggregated Performance Measures and Universally Indexed Results is discussed further in Chapter 4.

Development of Other Local Government Performance Management

Initiatives

In May 1997 a Labour Government was elected and this saw a renewed emphasis being placed on the use of performance measurement in local government (The Scottish Office Information Directorate, 1997). The Secretary of State (The Hon Donald Dewar MP) announced plans to achieve Best Value in local government. He would extend the moratorium on Compulsory Competitive Tendering (CCT) to allow a joint Task Force to develop a new system to achieve Best Value in local government services. The new approach would lead to performance plans eventually covering all local authority services, providing consistent, reliable and easy-to-understand information on levels of service, the costs of providing them and evidence of how each authority was testing alternative delivery methods, through competition or otherwise. They would also set out plans for improving quality, enhancing efficiency, reducing cost to the taxpayer and comply with other statutory obligations on value for money. The Government intended that these performance plans would become an integral part of the local authority reporting system and, in particular, would be used by authorities as the basis for improved planning, covering up to three years ahead.

This concept of Best Value which is about providing quality and cost effective services by introducing a performance management culture, has dominated local authorities throughout Scotland, and indeed the rest of the UK, over the last three years. In the Council, the implementation of the performance management regime within the Competitive and Technical Strategy Sector was seen as the example for all other Services to follow. The research information and the

development of frameworks such as the FIT concept were considered to be invaluable for implementing Best Value in the rest of the organisation. As a consequence, a Best Value Team of five key personnel (one of whom is the author of this thesis) was set up in May 1998 to drive a performance management culture throughout the Council.

Accounts Commission Report on All DLO's/DSO's in Scotland

In September 1998 the Accounts Commission for Scotland published its report (SR 98/1 Controller of Audit, 1998) on all DLO's/DSO's in Scotland, the objectives of which were to:

- review the financial position of DLO's/DSO's,
- consider the overall management arrangements, with particular emphasis upon financial monitoring and control, and
- identify important issues for review and possible action by Councils.

The report highlighted the results of an investigation carried out, at the request of the Secretary of State for Scotland, into the financial management of all the DLO's/DSO's when certain deficits were brought to light - particularly in one Council which showed a loss in its DLO operation of £4.172million. The comprehensive league table of financial results published in the report for all Council DLO's/DSO's seemed to vindicate the early implementation of the performance management regime in the Council, as all the DLO's/DSO's in the Council returned a surplus for the financial year 1997/1998, one of the few Councils, and certainly the only aggregated Council, to do so (Appendix Z).

Significantly, the Accounts Commission report (paragraph 9.2 refers) highlighted the fact that *"profitability, especially in 1996/97, was affected by one off early retirement costs it is not unknown for commercial organisations to suffer a decline in financial performance during reorganisation and change. Local government reorganisation was a major disruption for DLO's/DSO's. Some entirely new DLO's/DSO's were created by the new councils. Not only were the internal organisations and information systems of many*

DLO's/DSO's disrupted, but new contracting relationships had to be established quickly with client departments in all 32 councils". It also noted, in regard to the financial results shown in Appendix 2, that *"these results were established from information gathered using questionnaires which the external auditors of each council arranged to have completed by council officers. The auditors then reviewed the completed questionnaires and carried out selected testing to verify the validity of the information before submitting it".* The report drew mainly on the results of the survey and considered it a reliable account of the general position of DLO's/DSO's in Scotland. It did, however, qualify the results by stating that they may not fully reflect the position of individual councils and the financial information may alter once DLO/DSO accounts are audited. The results in Appendix 2 should, therefore, be considered in this context.

In November 1998 the Accounts Commission for Scotland published a supplementary report (SR 98/2 Controller of Audit, 1998) on the Local Authority (referred to as the 'Other Council') with the largest DLO/DSO deficit (£4.172 million, Appendix Z). The report makes interesting reading and extracts from it have been used to compare and contrast the situation in the Other Council with that of the Council. The profiles of both Councils and the comments and conclusions reached from comparing the profiles are discussed in detail in Chapter 4. It should be pointed out that the basis for the Controller of Audit carrying out the investigation was the information gathered in the earlier report (S.R. 98/1) and that the deficit in the Other Council referred mainly to two of the DLO's, Building and Roads Direct, which together represented a deficit of £4.66 M in the earlier report. This deficit was subsequently confirmed during the investigation, the objectives of which were to:

- confirm the principal factors which contributed to the deficit,
- establish why the deficit was not identified during the year, and
- identify the lessons to be learned for the future.

The outcomes of the Controller of Audit's investigation should, therefore, be considered in this context. However, it should also be added that the contribution

to the case study made by the outcomes from both reports by the Controller of Audit is significant in terms of an independent external source of evidence, which through the concept of convergence/triangulation has helped to establish the facts (Yin, 1994a).

Supplementary Initiatives Undertaken by the Council

During the period of the research there were a number of corporate initiatives introduced by the Council which had an impact on the DLO's/DSO's. In July 1997, for example, the Council introduced an ideas campaign to encourage employees to submit suggestions on how to improve the quality, economy, efficiency and effectiveness of the Council. The campaign was known as the BEST (Budget Employees Savings Targets) Ideas Scheme and ran for a period of four months. The scheme generated considerable financial savings from the ideas submitted (in excess of £1 million per annum), helped to increase the participation and involvement of the employees and improved bottom up communications. These were, of course, key objectives in the Council's aims and values.

Another initiative undertaken by the Council as already outlined was to introduce EFQM across the whole of the organisation. Initially it was introduced into three Services, one a DSO, using the FACE self assessment process described earlier. The pilots were conducted over a 12 month period and the outcome was used to determine if the concept should be rolled-out across all Services of the Council. It is interesting to note that there is some suggestion that the EFQM model was used as the basis for the design of Best Value which, as already stated, is being implemented throughout all local authorities.

These corporate initiatives, which had implications for all Services of the Council, helped to reinforce the approach taken by the Competitive and Technical Strategy Sector to improve the quality, economy, efficiency and effectiveness of the DLO's/DSO's.

CONCLUSIONS

The purpose of this chapter was to outline the key factors considered necessary for the successful implementation of performance management systems in local authority DLO's/DSO's, to state the hypotheses, to describe in detail the manner in which the research was undertaken and how the data were gathered, and to highlight the reasons for adopting a case study methodology. The significant events which influenced the research and research programme were also described. The profile of the programme (Appendix A) illustrated the key stages of the research under three separate but implicitly connected activities. The research undertaken in these three activities was as follows:

Activity (1)

The research relating to Activity (1), the implementation and development of the performance management regime, describes how the FIT Charter concept was developed in support of the Council's aim of team working and how it was used to implement the performance management culture within DLO's/DSO's using a balanced scorecard. It also describes how a longitudinal survey was undertaken over a four year period, consisting of semi-structured interviews with all DLO/DSO managers to assess the impact of the initiative in galvanising the DLO's/DSO's into a coherent, efficient and effective business sector of the Council, and in achieving behavioural change. The findings of the research are discussed in detail in the following chapter.

Activity (2)

The research relating to Activity (2), the development of quality assurance as a specific element of the balanced scorecard, describes how the FIT concept was used to extend quality systems throughout the DLO's/DSO's and how quality assurance was developed to become an integral part of the balanced scorecard. Again the findings of this research are discussed at length in the next chapter.

Activity (3)

The research relating to Activity (3), the development of supplementary initiatives describes how various initiatives, including the European Foundation for Quality Management (EFQM) model were introduced into the Council. The purpose of including these is for completeness of the case study.

All three research activities provide multiple sources of evidence, ie documentation, archival records, interviews, direct observations, participant observations and physical artifacts (Yin, 1994a) against which to address the research questions and to test the key hypotheses of this research, that:

“The implementation of a performance management regime using a wide range of performance measures into local authority direct labour organisations improves the monitoring and control and ultimate success of these organisations”

and that

“The development and application of frameworks can assist with the implementation of such initiatives and contribute to their success”.

Finally, it was also shown in this chapter that the implementation of a performance management regime will only be successful if it has Commitment from the top, becomes part of the Culture of the organisation, is Comprehensive enough to show the whole picture, and is Correct in terms of soundness and design. The next chapter describes these factors in the context of the research, highlights how certain key issues developed during the research programme, and describes in detail the results of the case study.

CHAPTER 4

CHAPTER 4 - RESULTS

Introduction

The purpose of this chapter is to describe in detail the results of the longitudinal case study research and to highlight the significant issues which arose during the research programme. These have been listed in the same way as outlined in Chapter 3 in that the findings of Activity (1), the development of the performance management regime within the DLO's/DSO's, are analysed first; Activity (2), the development of quality assurance as a specific element within the performance management balanced scorecard, is analysed second; and Activity (3), the development of supplementary initiatives, including the introduction of the European Foundation for Quality Management (EFQM) model into the Council, is analysed last. A summary of the findings of all three activities is also provided.

Focus Improvement Team (FIT) Concept

Prior to analysing the findings of the research activities in detail it is considered important to outline the significant aspects of the mechanism used to implement them, ie the FIT concept. In Chapter 3 the reason for developing the concept was outlined, ie to support the Council's corporate aims and values of team working and participation. It was also shown how the concept consisted of two principal documents, the FIT Charter and the Forward Plan. It is interesting to note that the format of these has not changed in any significant way since they were originally used for the very first project. The concept, therefore, would appear to have stood the test of time in that literally dozens of projects have been completed successfully using the FIT approach and these have covered every type of project from strategic initiatives, to operational changes. The concept is, however, merely a framework, ie a structured and systematic approach to project management, and it is the roles played by the key individuals involved which determine the degree of success achieved in each project.

Key Roles Within FIT Charters

There are three key roles within the FIT Charters which are those of the Sponsor, the Owner and the Facilitator. The duties and responsibilities of each were outlined in Chapter 3, however, it is considered important to highlight a number of supplementary factors which are significant and result from the experiences gained from operating the concept in practice.

Sponsor: Identifying the Sponsor of the project within the FIT Charter helps to emphasise the management support for the project and like all such initiatives this support is essential for the project to succeed. Listing the duties and responsibilities of the Sponsor also helps to reinforce his/her commitment to the project. By highlighting any constraints (budgetary, time, resources, etc) this helps to identify if there is full support for the project or the support is qualified. Experience in using the FIT approach shows that such support is critical for all projects, but particularly for those projects which cut across Service boundaries, and may require significant resources and/or affect staff in different categories. It is interesting to note a point made by one senior manager who was Sponsor for almost two dozen FIT projects operating concurrently who said, *"FIT Charters enable me to specify my support and expectations for each project clearly and succinctly which is important with so many projects running in parallel"*. He went on to say, *"Each month I receive a summary of the progress made on all of the FIT Projects and I am able to see at a glance where slippage has occurred and who I need to contact to initiate some early corrective action. The FIT Charter concept is now the principal method used for managing projects in my Service and it has made a significant contribution to keeping projects on time and within budget"*. (See FIT Project Register, Appendix L).

Owner: Considerable emphasis and responsibility is placed on the Owner of the project. He/she is required to have a range of skills in order to manage the project successfully ensuring that each stage is completed on time. Not everyone has the necessary attributes to be a successful Owner and care must be taken to ensure that those selected have the skills/training required. Experience has shown that considerable pressure can build up on the Project Owner to deliver on time which can be particularly difficult with complex projects involving teams of multi-disciplinary professionals. As one Project Owner put it, *"I am having to come into work at 6.30 in the morning to free myself off from the 9 to 5 humdrum of the office so I can do the work necessary to keep my project on track"*. Perhaps not a satisfactory situation, but the quote helps to illustrate the level of commitment and dedication of the Owner whose duties and responsibilities are to Plan, Organise, Implement and Control the project.

Facilitator: The primary task of the Facilitator is to help the Team achieve its aim. The dictionary defines facilitation as, *“to make easy” and “to assist in the progress of”*. Experience has shown that what characterises facilitation from everyday management of the project is that the Facilitator is not involved in a hands-on way, but will assist the team in choosing the best method of resolving issues, will keep an eye on progress towards achieving goals and will skilfully confront issues which are not being tackled, suggesting ways to resolve them. A good Facilitator knows when to listen, when to act and when to withdraw, and can work effectively with nearly everyone.

Research Activity (1)

The manner in which the research was undertaken in Research Activity (1), the Development of the Performance Management Regime within the Competitive and Technical Strategy Sector, was detailed at the start of Chapter 3. It was shown how the format of reporting by the DLO's/DSO's was rationalised and that the implementation of a balanced scorecard approach helped to standardise the format of reporting which had previously ranged from two A4 sheets per quarter in one DLO to a 132-page report in another. This rationalisation process, or what is sometimes referred to as variety reduction through standardisation (Bentley, 1984), helped to focus the DLO/DSO manager's attention on the six key reporting factors on the balanced scorecard (Finance, Workload, Human Resources, Vehicles, Quality and Supplementary Issues) and provided them, and indeed the Corporate Manager with a means of comparing (benchmarking) their own DLO/DSO performance with the performances of the other DLO's/DSO's in the Sector.

In the same way as the rationalisation of the performance management reporting format provided each of the DLO/DSO managers with a list of key performance factors common to all, the drawing up of business plans by each of the DLO's/DSO's in support of the council's aims and values (referred to in the Introduction) also helped to provide a common purpose and a common objective for each DLO/DSO. This is to say, that as the overall objective of the Corporate Manager was to galvanise the nine very diverse DLO's/DSO's into a coherent, efficient and effective business Sector of the Council, so the overall objective of each DLO/DSO manager was to ensure that his/her Service, which was in many cases

the combined resources of three District and one Regional Council, would become a coherent, efficient and effective Service within the Sector.

An interesting observation with the DLO/DSO managers involvement in the implementation of the performance management regime was that whilst they initially attended the first two or three Focus Improvement Team meetings they eventually bowed out and left the task to their designated representative. It was evident that this was the pattern for all such initiatives, ie once the manager understood and was reasonably comfortable with what was required from his/her Service, he/she would designate an appropriate individual to provide the necessary input and support.

Semi-Structured Interviews And Questionnaire

Some of the initial comments from managers during the first set of semi-structured interviews which were worthy of note:

"We are only providing this information to keep the elected members happy - it is really of no consequence"

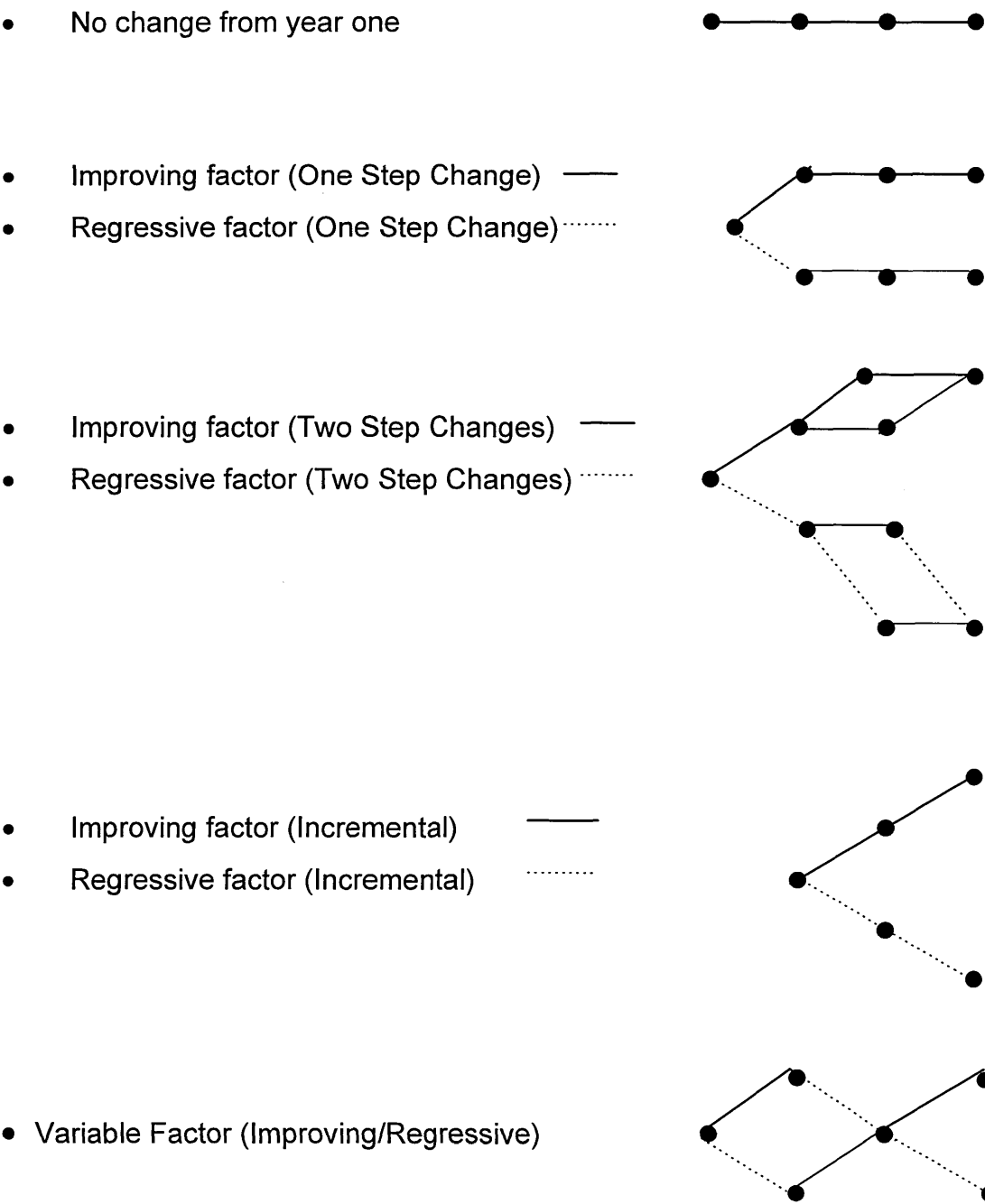
"The information from my Service will be a load of rubbish because the systems we require to produce sound performance management information are non existent"

"All we are doing is manufacturing bullets for the elected members to shoot back at us"

The results of the first set of semi-structured interviews are shown in Appendix E₁.

As already described in Chapter 3, there were four sets of semi-structured interviews and questionnaires completed with the DLO/DSO managers between 1996 and 1999. The results of these, which covered three full financial years 1996/97, 1997/98 and 1998/99, are shown in Appendix AB. In Appendix AC there is a summary of comments and observations on the results from the questionnaires. A more comprehensive interpretation of these which describes

the changes which took place year on year using five different categories of change are listed below. The categories are:

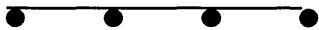


The reason for analysing the results using this format was that the objective of the survey was to identify trends in usage and understanding of performance information and that the size of population surveyed was considered too small to place any emphasis on percentage change as shown in Appendix AB.

Finance - Findings

All DLO's/DSO's used various financial ratios from year one illustrating the historical and continuing importance of finance as a critical performance indicator for all Services

No change from year one



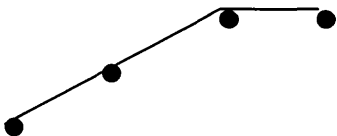
All managers perceived financial information as critical for managing the Service

No change from year one



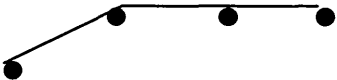
All DLO's/DSO's experienced major IT problems in year one and, although this improved, one third of Services were still experiencing major IT problems in 1999

Improving factor (Two Step Changes)



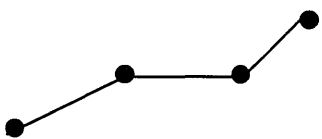
One third of Services did not use financial measures for historical comparison, trend analysis or forecasting in year one. Although from year two onwards all Services used such measures for these activities

Improving factor (One Step Change)



Slightly over half of Services used financial measures to help motivate staff in year one. This increased until all Services used such measures to help motivate staff by 1999. Examples of this included the distribution of profit/loss statements on a monthly/quarterly basis to all levels of management in each Service, and the provision of individual/contract prices to squad foremen and team leaders to enable them to compare actual cost against job/contract price.

Improving factor (Two Step Changes)



Finance - Analysis

The survey has shown that financial measures continue to play an important role in managing the DLO's/DSO's; and although there were major problems with IT systems initially, these continue to be resolved and improvements made. It is evident that the managers' interpretation and use of financial measures improved

as their understanding and confidence in the quality of information provided increased. In addition, the distribution of profit and loss statements and the provision of individual job/contract prices helped to motivate people to change these indicators to the good.

In order to emphasise the importance of introducing the performance management framework in terms of improved monitoring and control, and to demonstrate the linkages and causality among the performance indicators, an example DLO/DSO has been selected for each indicator in the performance framework. In respect of Financial performance, therefore, the question considered was, did the implementation of the performance management framework improve the monitoring and control of Financial performance? This can be answered by taking the Roads DLO as the example.

Roads DLO (Source: Reports submitted to the Commercial Services Management Committee, 1996 to 1999).

<u>Financial Year</u>	<u>Period</u>	<u>Profit (Loss)</u>	<u>Comment in Report</u>
1996/97	1	(£200,000)	---
	2	£181,230	<i>An allowance for notional income from winter maintenance has been made to offset this summer's cost of maintaining the gritters and other equipment.</i>
	3	£289,230	---
	4	£608,324	---
1997/98	1	(£346,287)	<i>The loss exceeds that of the same period in 1996/1997. There are a number of reasons for the poor financial performance. Work in depots in the early part of the year did not attract income.</i>
	2	(£733,027)	<i>The allocation of asset rentals to week 24 is the principal reason for the loss.</i>
	3	(£694,379)	<i>The expenditure is much higher than the planned profile. This is mainly as a result of asset rentals to fleet vehicles. There is also an under-recovery of the overhead account.</i>

	4	£968,000	<i>There is a trading surplus on jobs. Taking into consideration the final position on the recovery account of overheads, labour and transport the final profit is approximately £0.5 m. in excess of target. The profit which will be shown in the statutory account will take into consideration end of year reconciliation on costs and income.</i>
1998/99	1	(£141,427)	<i>The billed income exceeds the target by almost £1 m. up to week 16. The expenditure exceeds the target by almost £1.3 m. The targeted expenditure for this period has proved inappropriate.</i>
	2	(£316,687)	<i>The trading loss on jobs becomes a trading profit if an allowance for outstanding income is made.</i>
	3	---	<i>There was no report for period 3.</i>
	4	£500,000	<i>Trading surplus on jobs.</i>

Comment: From the above example it can be seen how in 1996/97 the generation of a loss in period 1 gave rise to an investigation as to why this happened. The results of that investigation indicated that the main reason for the loss was the substantial costs incurred in maintaining gritters and other equipment which needed to be spread throughout the financial year.

In 1997/98 it can be seen how the loss in period 1 in that year was compared with the previous year and the reasons for the losses given in periods 1, 2 and 3, a clear indication of the value of improved monitoring and control. Also shown, was how changes to the accounting procedures were dealt with ie asset rentals and because of this a trading surplus of £968,000 for the year was realised.

In 1998/97 there was further evidence of management's improved understanding and confidence in using the financial information in that trading losses at the start of the financial year appear to be acceptable and almost the norm for Roads DLO. The reason for this is the time lag between incurring the costs for doing the work and the receipt of income for that work.

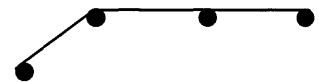
In terms of outcomes, the introduction of the performance management framework resulted in the improved monitoring and control of the Financial

measures in the Roads DLO. This was similar for the other DLO's/DSO's the results of which are clearly shown in Appendix AF.

Workload - Findings

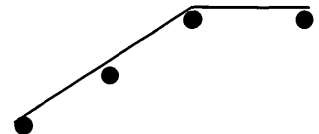
One third of the DLO's/DSO's did not use any forward planning techniques in year one where actual outputs could be compared against planned. By year two, however, all Services were using forward plans, at least for the following year.

Improving factor
(One Step Change)



Few Services used forward planning techniques for medium to long-term planning. By year three almost all Services were using medium to long-term plans.

Improving factor
(Two Step Changes)



There were problems in the DLO's/DSO's receiving information from clients throughout the survey period, but this varied from year to year.

Variable Factor



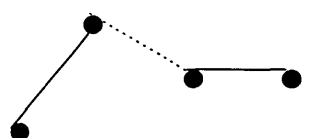
Information on workload for capacity planning was similar to that used for forward planning, ie in year one, one third of DLO's/DSO's did not use the information for this purpose, but by year two all Services used capacity planning techniques.

Improving factor
(One Step Change)



The general perception of the managers was that information on workload was fairly important for managing the Service; fairly important for reporting to elected members and senior management; and fairly important for keeping staff informed at all levels of the organisation.

Variable factor



Workload - Analysis

Information on workload progressively became a very important factor in forward planning for the DLO's/DSO's. It also became an important factor for reporting and communicating to senior management, elected members and staff at all levels. It is interesting to note the time frame over which these changes took place. Initially the DLO/DSO managers did little or no workload planning but what was done was very short-term ie Operational Planning with the emphasis on Control Information (Lucey, 1976). By year two workload planning horizons had increased to cover short to medium-term ie Tactical Planning with the emphasis on Planning and Control Information. It was not until year three that the managers started to consider long-term issues ie Strategic Planning with the emphasis on Planning Information.

In terms of causality, did the implementation of the performance management framework improve the monitoring and control of Workload? Again, this can best be illustrated by taking one of the DLO's/DSO's as an example.

Domestic Services DSO - School Meals (Source: Reports submitted to the Commercial Services Management Committee, 1996 to 1999).

<u>Financial Year</u>	<u>Period</u>	<u>Average Number of</u>			
		<u>Meals per Day</u>			
1996/97	1	19,146			
Workload	2	19,643			
	3	20,281			
	4	21,505			
		<i>Fairly Straightforward Statistical Measures</i>			
1997/98	<u>Period</u>	<u>For Each Period</u>	<u>Target</u>	<u>This</u>	<u>Last</u>
	1	<i>Meals Produced per Staff Hour</i>	<u>set</u> 7	<u>Year</u> 8.1	<u>Year</u> 7.3
	2	<i>Meal Uptake per Day</i>	19600	20536	20281
	3	<i>Uptake as a %age of School Roll</i>	33.5%	35.1%	34.9%
	4				
1998/99	1				
	2	<i>Changed to Six Periods</i>	<i>Similar Format to 1997/98</i>		
	3				
	4				
	5				
	6				

Comment: In 1996/97 it can be seen that the monitoring of school meals was relatively straightforward in that the only measure used for Workload was an output measure ie Average Number of meals per Day. Nevertheless, although a fairly simple measure, the fact that it showed an incremental increase each period was an indication of increasing production.

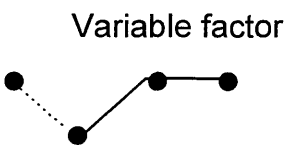
In 1997/98 a significant improvement in the Workload measure was evident. It was no longer a measure of Production but a measure of Productivity ie input over output (Meals Produced per Staff Hour). In addition, the setting of targets was clearly evident, as was period on period comparisons - an illustration of greater emphasis being placed on future planning based on historical data. Target setting on the uptake of the school roll was another indication of the improved use and understanding of Workload performance measures.

In 1998/99 there was a significant change, in that the number of reporting periods was increased from four to six. This was to align the number of reporting periods to school terms and also to take into account seasonal demands.

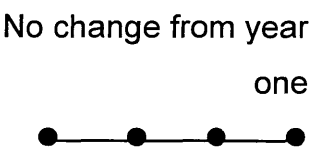
The above changes provide a clear indication of the improved monitoring, control and development of the measures for Workload as a consequence of the implementation of the performance framework.

Human Resources - Findings

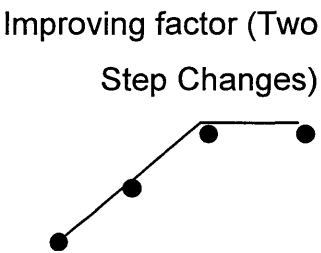
All DLO's/DSO's kept information on the numbers, categories and ratios of employees they employed, although there was a slight regression in year two.



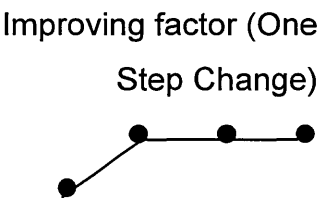
All DLO's/DSO's kept information on the number of days lost through accident or industrial injury from year one.



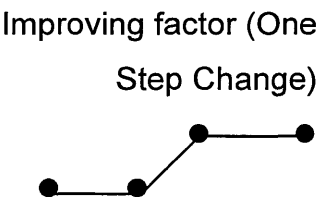
There was no information kept on turnover statistics for year one. By 1998, however, all Services produced statistics on turnover.



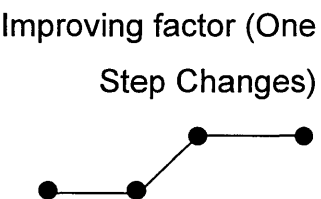
In year one, two thirds of the DLO's/DSO's did not produce statistics on sickness. By year two, however, all Services produced these statistics.



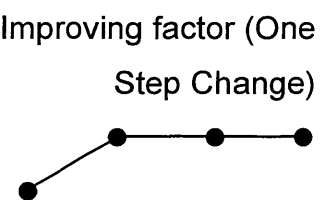
There was a similar situation with details on the types of accidents being reported by the DLO's/DSO's.



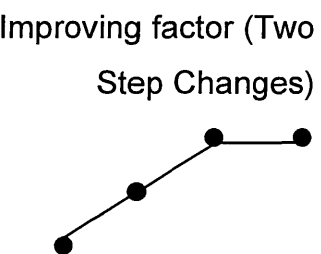
It is interesting to note that for the first two surveys one third of the DLO's/DSO's did not keep information on staff training. This changed by year three in that all Services kept such information.



Only one third of Services used HR statistics for planning purposes in year one, but by year two all Services were using them.



Human Resources information was increasingly considered important for managing the DLO's/ DSO's, reporting on developments to senior management and elected members and keeping staff informed at all levels.



Human Resources - Analysis

In terms of causality, did the implementation of the performance management framework improve the monitoring and control of performance in respect of Human Resources? Another DLO/DSO example has been used to illustrate this.

Grounds Maintenance DSO (Source: Reports Submitted to the Commercial Services Management Committee, 1996 to 1999).

In 1996/97 there were three principal elements of Human Resources data recorded:

- Total Number of Employees
- Total Sickness Absence
- Total Number of Days Lost Through Accidents

An analysis of the causes of accidents prompted the generation of a training schedule in 1997 that included 14 different types of training course, 6 of which related specifically to reducing absenteeism resulting from accidents and/or industrial injury:

- Chainsaw Basic Use
- Chainsaw Climbing
- Pesticides PA1, PA2, PA6 and PA9

In 1997/98 the number of elements of Human Resources data being recorded increased to six which included, in addition to the three recorded in 1996/97:

- Number of APT&C Staff and Number of Manual Employees
- Number of Permanent and Temporary Employees
- Percentage of APT&C Staff Sickness and the Percentage of Manual Employee Sickness

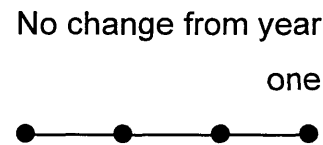
Improvement targets for sickness absence were also being set. Indeed, it is interesting to note that the number of days lost through accidents and/or industrial injury was 184 in 1997/98, a drop of 34% from 280 in 1996/97, which was certainly due in part to improved training during the year.

In 1998/99 sickness statistics showed that the average loss of time through sickness for APT&C staff during the year was 1% in contrast to 5% for manual employees. A specific issue which, in terms of the comments in the report, *“requires to be investigated further”*.

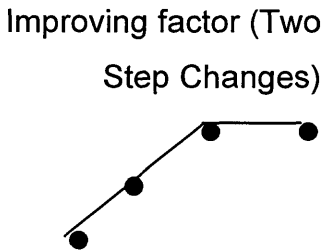
The above example illustrates clearly the developing use of Human Resources measures in the Grounds Maintenance DSO as a consequence of the introduction of the performance management framework. This was also mirrored in the other DSO’s/DSO’s.

Vehicles and Equipment - Findings

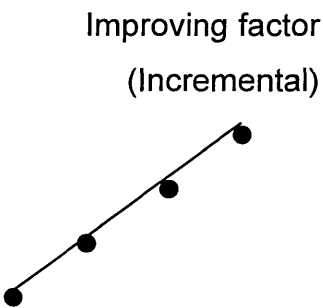
All DLO’s/DSO’s kept information on vehicles and equipment used in the Service from year one.



There was limited use made of this information during years one and two, although by years three and four all Services were using the information for historical comparison, forecasting and determining replacement policies.



Information on vehicles and equipment was increasingly used for managing the Services and reporting to senior management and elected members. The information was also used to motivate staff eg information on the cost of vehicle/equipment hire rates encouraged supervisory staff to get these items off hire as soon as possible.



Information on vehicles and equipment became increasingly used by the managers as their knowledge and understanding of the information grew eg vehicle and equipment ongoing maintenance and repair costs vis-à-vis replacement costs; hire/leasing costs vis-à-vis buying costs; efficiency/ effectiveness of one vehicle/equipment type against another, etc.

Comment: In terms of causality, did the implementation of the performance framework improve the monitoring and control of performance in respect of Vehicles and Equipment? An example to help illustrate this in terms of Vehicles, is that of the Cleansing and Waste Management DSO.

Cleansing and Waste Management DSO (Source: Reports Submitted to the Commercial Services and Management Committee, 1996 to 1999).

	<u>Vehicle Numbers</u>	<u>Costs: Period 1 to 4</u>
1996/97	125	Approx. £600,000 per Period (£2.4m per Annum)

Note from the report: *“The 125 vehicles consist of small vans, skip lorries, trailers, mini sweepers, Lacre sweepers and refuse collection vehicles”.*

1997/98 - In addition to the number, type and cost of vehicles, information on vehicle usage and reliability was being recorded eg from the notes of one of the quarterly reports: *“Vehicles breakdowns particularly in the West Area have proved problematic to the Service and required overtime working to maintain collection schedules”.*

1998/99 - Purchase of new refuse vehicles to extend the Wheely Bin implementation programme which has already achieved significant improvements in productivity. Actual vehicle utilisation figure in relation to that of the target figure was 98%.

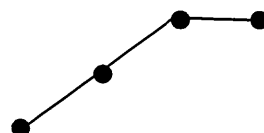
The above example shows clearly the improved monitoring and control of Vehicles in the Cleansing and Waste Management DSO as a consequence of introducing the performance management framework.

Quality - Findings

Quality issues within the DLO's/DSO's are discussed in detail in the findings of Research Activity (2). There are, however, a number of significant observations worth highlighting from the survey results which are listed below.

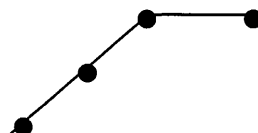
One third of the DLO's/DSO's did not have a formal complaints procedure during years one and two. By years three and four, however, all had a complaints procedure in place.

Improving factor (Two Step Changes)



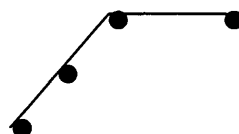
There were no customer surveys carried out in year one, but by year three all Services carried out some form of customer survey.

Improving factor (Two Step Changes)



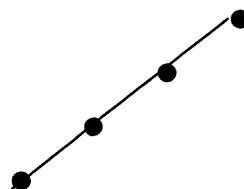
Workmanship and rectification costs were similar to customer surveys in respect of improvement. There also appeared to be a correlation between quality systems implementation and staff training with improved Service quality eg in one DLO the cost of rectification work decreased from £161,800 in year one to £26,250 in year four, which, according to the DLO manager, was a direct result of the introduction of a quality system and associated staff training.

Improving factor (Two Step Changes)



The use of information on quality was also increasingly used to manage the Service, reporting to senior management and elected members and keeping staff informed.

Improving factor (Incremental)



Comment: In terms of causality, did the implementation of the performance framework improve the monitoring and control of the quality of service provision in the DLO's/DSO's? This can perhaps best be answered by again taking one of the DLO's as an example.

Building Operations - A Non ISO 9000 Organisation (Source: Reports Submitted to the Commercial Services Management Committee, 1996 to 1999).

1996/97 Notes from reports:

"Customer Complaints - Currently handled by the client departments who report these for action to the appropriate manager/supervisor. No statistical records are available at this time."

"Customer Satisfaction - Handled by client departments."

"Workmanship - Regular inspections/checks carried out by supervisory staff as part of their duties."

1997/98 Notes from reports:

"Customer Complaints - As 1996/97 handled by client departments."

"Customer Satisfaction - Building Operations are developing a new job line ticket which will incorporate a section for customer satisfaction responses. A customer satisfaction questionnaire has been developed for circulation in the Education Service."

"Workmanship - Random checks of workmanship have been introduced in the Central Area as part of a pilot project. These checks will include comparisons of material used against store requisitions as well as technical inspections of the levels of quality."

1998/99 Notes from reports:

"Customer Satisfaction - Key Performance Indicator Report 2(b) attached. Also attached are copies of the questionnaire used in Building Operations customer satisfaction surveys, which are carried out in three ways: telephone survey, postal survey and on site survey coupled with job post- inspection." These surveys covered a range of factors including:

"Response Time:

Quality of Work:

Effectiveness

Tidyness

Workmanship

Efficiency

Staff:

Politeness

Dress

Behaviour

Service Profile:

Operative

Vehicle

Service Awareness: LRT's (Local Office Response Teams)

Are you aware of - Callouts?

- Complaints Procedure?

The overall response from customers in terms of Customer Satisfaction to each survey was:

Telephone Survey = 89%

Postal Survey = 77%

On Site/Post Inspection = 68%"

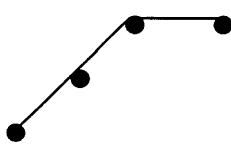
The above example shows a clear indication of improved monitoring and increased control of the quality of service provision as a consequence of the introduction of the performance management framework.

Quality is discussed in greater detail under Research Activity (2) later in this Chapter.

Supplementary Factors - Findings

Reporting significant improvements in service provision; setting up of Focus Improvement Teams to address specific problems; implementing ideas; using the business planning process; were all fairly limited activities with DLO's/DSO's in years one and two. However, they became increasingly important in years three and four, for not only providing opportunities to improve service delivery, but also for highlighting some of the successes of the DLO's/DSO's. Too many of the comments on service delivery were negative and critical of the Services. There was a need to "blow the trumpet" of successful improvements to help redress the balance.

Improving factor
(Two Step Changes)



These supplementary factors became more and more important in reporting performance at all levels in the DLO's/DSO's. This was particularly evident when managers attended the Commercial Services Management Committee which tended to emphasise the negative aspects of the reports. Indeed, the earlier quote by one DLO manager who said, "*we are just making bullets for the elected members to fire back at us!*" was very relevant. However, the realisation that by starting Committee reports with a very upbeat positive statement, could set the overall tone for the meeting, resulted in significant changes to the style of reports and the method of reporting. This was also a clear indication of increased understanding of the relationship between managers and elected members and, in particular, managers having to deal with the expectations of elected members (Wilson and Game, 1994; Broussine, 2000).

Comment: In terms of causality, did the implementation of the performance management framework improve the monitoring and control of performance in respect of Supplementary Factors? To help illustrate this, Roads Services has been taken as an example.

Roads Services (Source: Reports Submitted to the Commercial Services Committee, 1996 to 1999).

1996/97	<u>Period</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>
Supplementary Factors:	FIT Initiatives	5	7	9	14
	Ideas Submitted	11	11	3	5
1997/98	FIT Initiatives	_____	24	_____	
	Ideas Submitted	_____	20	_____	
	Ideas Implemented	_____	3	_____	

1998/99 Ideas Scheme introduced in September 1999 - 83 ideas generated in the first eight weeks - implementation rate 26%.

The above example shows clearly an improvement in the development of Supplementary Factors and, in respect of Ideas, this changed from the submission of ideas on an ad hoc basis during 1996/97 and 1997/98, to the introduction of an Ideas Scheme in 1998/99.

The six individual DLO's/DSO's examples shown above illustrate improved monitoring and control in the respective performance measures as a consequence of the introduction of the performance management framework. In order to illustrate the causality and the linkages among all the performance measures in the performance framework in respect of one DSO, the following example has been used:

Transport Service (Source: Reports Submitted to the Commercial Services Management Committee, 1996 to 1999).

<u>Year</u>	<u>Comments from Reports and Action Taken</u>	<u>Performance Measure Affected</u>
1996/97	Costs relating to vehicle maintenance considered excessive. Examination of costs show Overhead cost element to be the main cause. Set up a Focus Improvement Team to consider ways of addressing the problem. Solution - need to spread Overhead cost by improved utilisation of facilities, possibly through increasing the amount of work done.	Financial Supplementary Factors Workload
1997/98	Successfully tendered for work from the Health Trust and the Water Industry. Train employees to undertake work on new vehicle types. Introduce two shift operating system. Implement new quality control measures. Major initiative in customer care.	Human Resources Quality
1998/99	Improved utilisation of facilities (equipment, vehicles and premises) with consequential reduction in Overhead costs. Greater overall efficiency, effectiveness and economy of the Transport DSO.	Vehicles and Equipment Financial

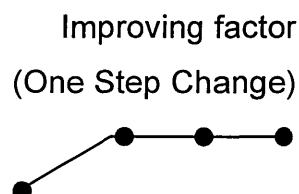
The above example shows clearly the causality and linkages among the various measures within the Transport DSO performance management framework and the benefits derived from such a framework.

Survey Factors on Managerial Perception

The following factors from the survey were designed to establish changes in managerial perception to performance management.

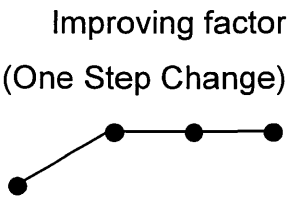
Performance Measures

In response to the statement “*performance measures are more about where we want to go in the future (setting goals) than what we’ve done in the past (what has been achieved)*”, not all managers agreed with this statement in year one, but all agreed from year two onwards. As one DLO manager put it “*we can learn from our mistakes, but it is what we do in the future that matters*”.



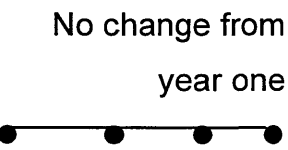
Need for a Balanced Set of Indicators

The general perception of the DLO/DSO Managers was that initially they considered a balance of measures important, although by year two all thought they were very important. All did agree, however, that the most critical of all the performance measures were those of a financial nature. This was confirmed by the following:



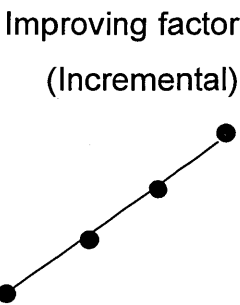
Profit and Loss Still Critical

All Managers agreed with this statement throughout the survey. As one DLO manager put it, *“You can have significant improvements in a range of activities, however, if you fail to make your statutory target (breakeven) you will not survive!”* He went on to provide an analogy of the football team that controls the whole of the game, but still loses by one goal to nil and as a consequence is out of the competition. He insisted that the DLO’s/DSO’s were no different and the bottom line (ie the result) was critical for survival.



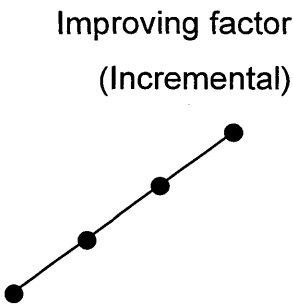
Performance Measures are Important for Establishing Strategy

It is interesting to note that although all DLO’s/DSO’s had established business plans in which reference was made to performance, it was not until year four that all managers agreed that such measures were very important for establishing business strategy.



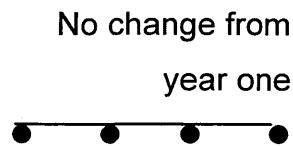
Performance Measures Important for Influencing Behavioural Change and Taking Corrective Action if Not Met

The general perception of the DLO/DSO managers was that performance measures could be used to change behaviour and in taking corrective action if targets were not met. It was not, however, until year four that they all concurred that performance measures were very important in influencing and actioning these. Experience in using performance measures throughout the survey period, and the introduction of specific projects such as the implementation of the Bradford Formula for Sickness Absence, all helped to influence their perception.



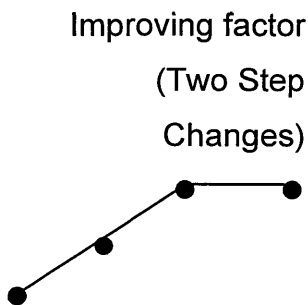
Some Indicators Increase While Others Decrease

Most managers thought that this would be the case, but that the emphasis must be to look for an improvement in all indicators.



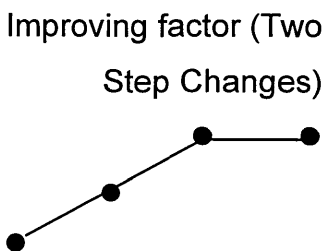
Disseminating Performance Indicators Helps Empowerment

By years three and four all DLO/DSO managers agreed that disseminating performance information helps empowerment. However, as one manager put it, *“Providing performance information on its own is not enough, people have to know that the action they take can make a difference”*.



Performance Measures are the Dials on the Business Control Panel

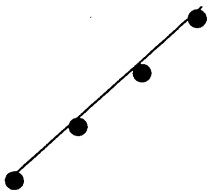
Gradually all agreed that this was a reasonable metaphor.



Increase or Decrease Use/Number of Performance Measures in the Future

Initially most managers were not sure. By year four, however, all agreed that the number of performance measures would decrease. It is interesting to note that the number of performance measures used in reports in financial year 1996/97 was 28 on average per DLO/DSO. By 1998/99 this figure had dropped, but only to an average of 18.

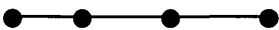
Improving factor
(Incremental)



Intend to Use Performance Measures for Reward Systems

In general those Services which used performance measures for reward systems would continue to do so.

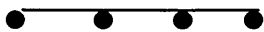
No change from
year one



Confidence in the Reward System

Most managers expressed concern in that they were not fully convinced they were getting value for money in respect of the reward systems which were in the main bonus schemes for manual employees.

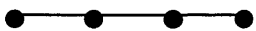
No change from
year one



Use a Reward System that was Directly Related to Organisational Performance

The majority of managers said they would use a reward system that was directly related to organisational performance. As one manager put it *“The current manual bonus system in my Service continues to pay out bonuses, yet I know that many of the jobs are going to make a loss. Something needs to be done.”*

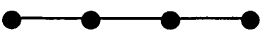
No change from
year one



Maximum Bonus Paid

Approximately one third of basic salary/pay.

No change from
year one



Additional Comments

Additional comments from the managers were that after three full financial years of operation, one third of them were still experiencing major problems with their IT systems. Another key concern, was the introduction of Best Value, which all managers perceived as a potential threat. They were, however, all appreciative of the fact that whilst initially the majority of them did not welcome the introduction of performance management in 1996, they did acknowledge that they were now ahead of many other DLO's/DSO's in Scotland and well placed to meet the challenges of the Government's Best Value Regime. This acknowledgement, coming from those senior managers directly involved in the process, gives one a high level of confidence that the finding of improved performance was not casually linked in a '*post hoc ergo propter hoc*' manner to the introduction of the performance management regime, but that the latter can be regarded as a significant influence on the former.

Questionnaire - Response Analyses

A further analysis of the questionnaires was completed in order to compare general trends in responses for each factor. These were recorded into four most predominant categories of change ie:

- No Change From Year One - where the manager's responses stayed constant year on year eg the use of various financial ratios.
- One Step Change - where responses changed for only from one year then stayed constant, eg the use of information on workload for capacity planning.
- Two Step Change - where responses changed on two occasions then remained constant, eg the recording of types of accidents.
- Incremental Improvement - where responses changed year on year, eg the use of information on quality continuously improved.

From the analyses (Appendix AD) it can be seen from the number of recordings of one and two step changes that there is an improvement in Human Resources, Vehicle/Equipment, Quality, and Supplementary Factors. This illustrates clearly

that much more emphasis was placed on these factors in years two and three than was in year one, and is evidence of a change in perception of managers in the contribution these factors made in the overall economy, efficiency and effectiveness of the DLO's/DSO's. The analysis also shows the responses of managers towards the other factors in the questionnaire, eg no change from year one in: Profit and Loss, Some Increase/Some Decrease, Reward System, Confidence In Use and Maximum Payments, illustrating very fixed views on these issues. Other factors, such as Using a Balanced Set of Indicators, Establishing Business Strategy, Influencing Behaviour, Helping Empowerment, etc all have one, two and/or incremental improvements, illustrating varying degrees of changes in perception on the importance of these factors.

Longitudinal Survey

The results from the longitudinal survey of DLO/DSO managers showed clearly the changes that took place between 1996 to 1999 in terms of a performance management culture. The change from an initial attitude of *"we are only providing this information to keep elected members happy - it is really of no consequence"* in respect of reporting performance to the Commercial Services Management Committee, through to *"Providing performance information on its own is not enough, people have to know that the action they take can make a difference"* in respect of disseminating performance indicators helps empowerment, is a clear indication of attitudinal and cultural change in the organisation.

The results from the longitudinal survey would also seem to suggest that there were four main phases of development during the implementation of the performance management regime (Appendix AA).

Phase 1 - The suggested title for this phase is 'Lies, Damned Lies and PI's', where managers' perceptions were that the gathering and submitting of Performance Indicators (PI's) using a wide range of measures was purely cosmetic, ie *"to keep elected members happy"*, but of no real consequence. This took place at the beginning of the first financial year (1996/1997) and reflected the general views of managers that the performance management regime was just another initiative, ie a craze which would die and/or disappear like other

initiatives introduced into local authorities in the past. As a consequence, manager's attitudes were such that little emphasis was placed on the accuracy/quality of the information collected and presented, because in their own words *"it was of no real consequence"*. Elected members were, therefore, provided with information which in many cases could be considered to be unsound. Phase 1 also reflects the very early stages in the relationship between managers and elected members, particularly in, *"working at the boundaries of politics and management"* and, *"mixing own ideas with political reality"* (Broussine, 2000).

Phase 2 - The 'PI' phase, where performance indicators were becoming more reliable and were starting to be used to monitor and control the organisation. This phase came into effect at the end of the first full financial year with the emphasis placed on the production of performance indicators becoming more and more evident. As one manager put it *"performance management is for real"*, and another *"the information needs to be much more accurate and reliable if performance indicators are to be meaningful"*. Phase 2 also reflects the developing relationship between managers and elected members, particularly in, *"maintaining effective relationships and trust"* and, *"dealing with elected members' expectations"* (Broussine, 2000).

Phase 3 - The 'KPI' phase, where performance measures and processes were being refined and reporting was done by exception on the basis of key performance indicators (KPI's) only. This occurred during the financial year 1997/1998 where manager's efforts were being directed to change indicators to the good, with particular emphasis being placed on certain key indicators. These key indicators were those which were considered critical for managing performance in the respective DLO's/DSO's. Phase 3 also reflects the further development in the relationship between managers and elected members, particularly in, *"facilitating members' understanding of the needs of the community"* and, *"mixing own ideas with political reality"* (Broussine, 2000).

Phase 4 - The 'DDI' phase, further refinement to dashboard indicators where critical factors for the organisation can be viewed at a glance; and also distributed indicators (DI's), where KPI's are disseminated to all areas of the organisation, ie to all employees. This phase came at the end of the financial year 1998/1999 with many of the DLO/DSO managers now quite expert at interpreting performance information and in reporting and disseminating such information was by exception only. Phase 4 also reflects the continuing development in the relationship between managers and elected members, particularly in, *"building strategy in relation to members"* and, *"balancing what is rational and what is political"* (Broussine, 2000).

Although the longitudinal survey shows that the family of measures was implemented in all nine DLO's/DSO's fairly quickly, ie approximately three months, it also shows that the transition from phase 1 to phase 4 of development, ie to a full performance management culture, took approximately three years and that not all DLO's/DSO's developed at the same rate. One of the reasons for this development rate differential, appears to be the managers' commitment to the process which again reflects the importance of key appointments in the change process. This commitment was reinforced from an analysis of the number of performance measures (Table 4 refers) used by each DLO/DSO during the survey.

Year (No of Performance Measures Used) DLO/DSO	1996	1997	1998	1999
Roads DLO *	28	22	18	16
Building Operations	27	24	23	22
Cleansing and Waste Mgt *	29	23	19	16
Roads Service *	29	21	17	17
Transport	26	23	24	20
Supplies and Printing	27	24	23	21
Property Service	28	24	21	21
Domestic Services *	27	23	16	16
Grounds Maintenance *	28	23	19	16
AVERAGE PER YEAR	28	23	20	18

Table 4 - Development of Performance Measures Over Time – Number of Measures Used by Each DLO/DSO During The Longitudinal Survey

It can be seen from Table 4 that the average number of performance measures used each year changed from an initial 28 measures in year one to 18 measures in year four. The main reasons for this was an increase in managers' awareness of the value of some measures over other measures for monitoring and controlling the service. In addition, the cost of producing some measures outweighed the benefits to be derived from having those measures, and these measures were consequently discarded. It can also be seen from the table that the DLO's/DSO's with the greatest reduction in measures over the four years, the five marked (*), are the same five Services which had quality assurance (ISO 9000) systems in place (Appendix M₂ refers). A general reflection of the awareness and commitment to performance and quality of the managers in these DLO's/DSO's.

Another reason for the performance measure development rate differential was the importance of individual measures for certain Services. From a year-on-year analysis of specific measures for individual Services, done in the form of a matrix, it was evident that some measures were more important for certain Services than for others. For example, Sickness Absence was more important for the Supplies and Printing Service than it was for Domestic Services (the reason was the small number of employees involved in Supplies and Printing Service and the impact a few individuals being absent through sickness could have on the Service overall). In the same way, Workload was an important measure in Roads DLO but not so important in Domestic Services (the reason was that Domestic Services had a constant year-on-year workload, whereas Roads DLO did not). Similarly, Quality was considered important in Building Operations but not so important in Supplies and Printing (the reason was there were more regulations that affected Building Operations than Supplies and Printing). There was a similar situation with Business Planning, in that it was an important measure in Grounds Maintenance Service but not so important in Cleansing and Waste Management Service (the reason was that management in Cleansing and Waste Management Service, particularly initially, did not consider Business Planning important). These factors all had an affect on the rate of development of performance measures in individual Services.

With regard to Business Planning and the development of the process, a detailed analysis showed that in all Services, even in those which pursued business planning vigorously, there was a tendency to set objectives and targets specifically relating to the Service. There was no obvious link back to the corporate aims and objectives of the Council, although all Services had considered these when formulating their business plans originally. In other words, Services tended to pursue and achieve targets at the micro level, with little evidence of these being linked back to the Council's aims and objectives at the macro level. For example, Roads Service achieved its targets in new street lighting installation but there was no link back to the corporate aim of improving public safety. Similarly, with the upgrade and development of the roads network, there was no link back to the impact this could have on the potential improvement of the economy in the area. Part of the reason for this, is explained by Drucker (1990) in, *Managing in Non-profit Organisations*, which states: *"Non-profit organisations are prone to become*

inward-looking. People are so convinced they are doing the right thing, and are so committed to their cause, that they see the institution as an end in itself. But that's a bureaucracy. Soon people in the organisation no longer ask: Does it service the mission? They ask: Does it fit the rules? And that not only inhibits performance, it destroys vision and dedication." There is, therefore, a need for Services to ensure they look wider than their own Service boundaries and to illustrate that there are clear linkages in what they do, to the corporate aims and objectives.

Finally, at the end of the survey, managers were asked to assess the importance of nine key performance indicators and place them in order of importance. The results are shown in Appendix W and the cumulative outcome in terms of perceived importance was as follows:-

- 1 Finance (86).
- 2 Business Planning (78).
- 3 Workload (67).
- 4 Human Resources (60).
- 5 Quality (50).
- 6 Vehicles and Equipment (45).
- 7 Training and Development (26).
- 8 Improvement Groups (22).
- 9 New Products and Services (16).

It is perhaps not too surprising that Finance is top of the list.

In summary, therefore, the longitudinal study has provided a unique insight into the implementation and development of a performance management regime into local authority DLO's/DLO's. It has shown, how performance measures, and performance measurement systems, can be refined and improved to increase monitoring and control in these organisations. Indeed, the DLO/DSO examples (pages 132-146) illustrated this, and clearly demonstrated the causality and linkages among the performance indicators in the performance management framework. However, the study has also shown that the implementation and development of such a regime is very much a long-haul exercise, and that in

addition to helping to facilitate the process of continuous improvement, the performance management regime should also become the subject of that process in order to ensure it continues to have relevance and value. This is to say that there is a need to continuously review the effectiveness of the measures used in order to ensure that they continue to provide the necessary information for the monitoring and controlling the organisation.

Events Which Affected the Type and Range of Performance Information Submitted to Committee

During the four years covered by the research there were a number of significant events which influenced the type and range of performance information submitted to Committee. In the previous chapter it was stated that the first report submitted to the Commercial Services Management Committee was more than 140 pages long and took almost four hours to discuss. The reason for this was that there were on average almost a dozen pages of qualifications attached to each DLO's/ DSO's list of performance indicators. The nature of these qualifications was very much about providing reasons for not being able to submit sound performance indicators, with statements such as "planned but not commenced", "not readily available at this time", "no progress as yet", "there are difficulties at present", "not relevant at this moment", etc. In fact there were perhaps no more than six performance indicators out of the twenty eight provided by each Service which could be considered to be technically sound. One of the reasons for this was the lack of basic understanding by the managers as to what each factor should contain and how it should be defined. There was a need, therefore, for a comprehensive list of definitions ie a Glossary of Terms. The fact that there was a significant systems problem was another reason, although it was acknowledged that it was essential to specify information requirements before specifying systems solutions.

Glossary of Terms

As described in Chapter 3, a Focus Improvement Team was set up to establish a Glossary of Terms for all performance indicators. The realisation that such a Glossary would be required did not surface until September 1996, some six months after the performance management regime had been implemented. It took another six months to elapse before the Glossary was finally published -

some twelve months after implementation. Had it been realised at the beginning of the project that such a Glossary would be required, then the process could have been started much earlier which would have helped contribute to the production of more reliable performance indicators from the beginning. It would also have helped develop more quickly the relationship between managers and elected members.

Forward Programme for Performance Indicator Submission

Establishing a forward programme to synchronise dates for the submission of performance information to Committees was another important factor. This helped to keep everyone advised of what was required and when it was required for. Again, however, this forward programme was not established until December 1996, some eight months after the initial introduction. Had it been established much earlier it would again have helped to contribute to the production of more reliable performance indicators from the beginning.

Member/Officer Working Groups

The practicalities of submitting such large reports to Committee and the subsequent time involved in discussion, ought to have been anticipated. In retrospect it now seems pretty obvious that a report of some 140 pages with no executive summary would inevitably cause problems. The setting up of member/officer working groups to discuss and resolve issues prior to reports being submitted to the full Committee some twelve months after introduction could have been done much earlier. Had it been so, it would again have made the process of implementation much more effective and contributed significantly to a much smoother introduction. However, it is also important to bear in mind the relationship between elected members and officers and, as outlined in Chapter 2, the need for managers to “*work with the political dimension*” which, includes “*maintaining effective relationships and trust with elected members*” (Wilson and Game, 1994).

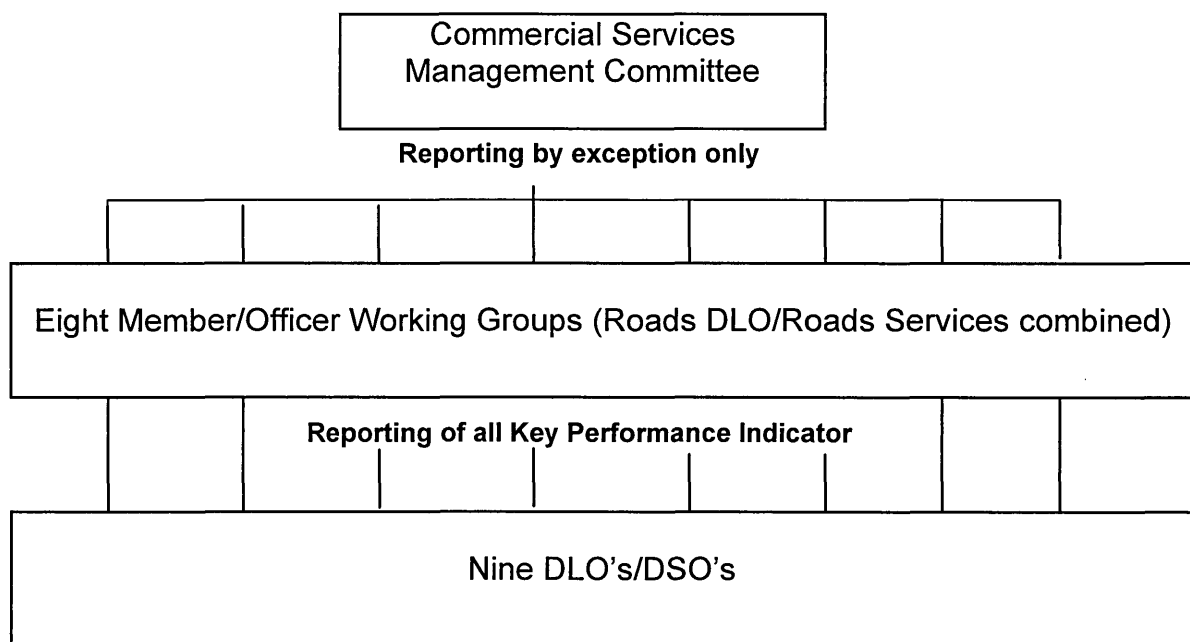


Figure 10 - Committee / Member / Officer Working Group Structure

Findings Of The Field Experiment

In Chapter 3 reference was made to carrying out a field experiment in one of the DLO's by introducing a control procedure to help manage self certificated sickness. The experiment consisted of drawing up an agreement between Management and the Trade Unions to introduce, as a pilot project, a procedure for monitoring and controlling levels of self certificated sickness. The purpose of this was to change the performance indicator to the "good" by significantly reducing the amount of self certificated sickness and the associated cost of such sickness. (Absence through sickness was calculated to be costing the Council approximately £15 million per annum).

An agreement to introduce the pilot project was signed in November 1997 and the procedure for monitoring and control, ie the application of the Bradford Formula/ Factor, was implemented. In respect of the field experiment the questions to be considered were: would the implementation of this control measure (corrective action) change the performance indicator for self certificated sickness absence to the good (effect improvement)? In other words would there be correlation - does x cause y? Would the use of performance indicators (or action taken as a result of

monitoring performance) result in a change in behaviour? Key questions in terms of the research and certainly key issues for improving the economy, efficiency and effectiveness of the DLO's/DSO's.

After running the pilot project for one year the impact on self certificated sickness was as follows:

Number of Days Lost in the Pilot DLO

Year prior to application (1997) = 1159

Year during application (1998) = 510

Reduction 649 Days

The theoretical saving of 649 days in the Pilot DLO where the average wage rate per employee was £60 per day = £38,940 per annum.

If a pro-rata saving could be achieved by applying such a control measure across all Services of the Council then the potential saving would be:

Number of employees in Pilot DLO = 180

Number of employees in the Council = 21,000

Potential theoretical savings = £38,940 x 21,000
180

= £4,536,000 per annum

The impact of applying the Bradford Factor in this particular field experiment is undoubtedly very significant. The potential impact of applying it across all Council Services is also very significant. From the results there would appear to be an obvious change in behaviour as a consequence of monitoring and controlling the performance of sickness absence. However, during the pilot project there were two specific issues which were worthy of note. The first of these was an increase in the amount of certificated sickness during the period as shown below:

Year	Number of Self Certificated Sick Days Lost	Number of Certificated Sick Days Lost	Total Number of Sick Days Lost
1997	1159	1358	2517
1998	510	1523	2032
Percentage	-56%	+12%	-19%

The above findings would tend to indicate another change in behaviour in that it would appear that some employees who would normally have been off work on self certificated sick have transferred to the certificated sickness absence category. However, there is a proposal to apply the Bradford Factor to this category of sickness absence also which will obviously help to counteract this. The second issue worthy of note relates to the reaction of employees to the fact that self certificated sickness was being monitored. It appears to be similar to what is now referred to as the Hawthorne Effect (Mayo, 1948) where the reaction of the employees is as much to do with the fact that someone is taking an interest in them and what they are doing than it is about the resultant action for non-compliance. Quotes from some of the employees help to illustrate this: *"It is about time someone did something about self certificated sickness absence"*, and *"Some people have been abusing self certificated sickness absence for years"*. This type of reaction and the resultant change in sickness absence during the one year pilot period shows clearly that the use of performance measures to monitor and control sickness can result in changes in behaviour.

Disseminating Performance Information Down Through The Organisation

In Chapter 3 it was described how a FIT Charter (Tactical) and Forward Plan were created to identify a limited number of key performance elements to be publicised in each Service. The purpose of this was to disseminate performance information down through the organisation in order to effect a change in behaviour and move performance measures in the direction of good. Although the FIT Charter was drawn up in March 1998 it was not until September 1998 that performance information for employees was published (see examples Appendices J and J₁). In

order to assess the impact the publication of this information had on employees, a questionnaire was designed and circulated (Appendix K). The results from the questionnaire was as follows:-

A total of 503 questionnaires were sent out to employees who were selected at random. This represented 10% of the total workforce of 5034 and each DLO/DSO received a pro-rata number of questionnaires in relation to the numbers employed. There were 223 questionnaires returned, ie 44%.

Summary Of Questionnaire Responses

- Q1** 83% of employees had seen a copy of the leaflet on PI's.
- Q2** 85% indicated that it was readily available to all employees.
- Q3** 57% said that it readily attracted their attention.
- Q4** 72% found it to be professionally presented.
- Q5** 63% considered the leaflet informative.
- Q6** 68% found the information easy to understand.
- Q7** 55% said they were interested in the information.
- Q8** 53% indicated they would like to see the leaflet continue in its present form.
- Q9** In response to the question "Which information do you not want included?" All respondents left this blank.
- Q10** Additional information which employees would like to see included:
- level of long-term sickness and the percentage it represents
 - how any profit is used
 - details of customer's praise
 - customer satisfaction surveys broken down into different types of work
 - financial information broken down into different groups, eg refuse collection, street sweeping, etc
 - cost of producing the performance information
 - more user friendly information
 - overtime levels
- Q11** Where the information was displayed:
- Canteen

- Bothy
- Copy issued to employee by Supervisor
- Was not on display

Q12 Any other comments on the leaflet and its availability:

- Very good
- Team brief preferred
- Leaflet for each employee
- Poster to be larger
- Circular well presented
- Simple and easily understood
- Why no actual financial figures quoted
- Cannot understand the form
- Not required at our level
- Poorly laid out
- Not interested

Comments On The Responses

The response rate of 44% was slightly disappointing. However, the amount of interest shown in the subject from the questionnaires which were returned was encouraging. It certainly silenced a number of the critics who suggested that the employees would not be interested in performance information and that the whole exercise was a “*waste of time*”. There is, of course, room for improvement, but as a first attempt the feedback has, in the main, been positive and encouraged those involved, to develop the initiative further. With regard to the responses, the replies to Question 1 through to Question 9 were fairly self explanatory. Those to Questions 10, 11 and 12 were perhaps more interesting in that they provided pointers as to how the initiative could be developed. In considering how best to undertake this development, it was thought initially that setting up a joint management/employee group would be the best way to take things forward, however, it was decided that a better alternative was to use the existing Joint Consultative Committee structure. This would help ensure that performance would become an integrated part of the normal management/employee consultative process and not seen as an adjunct to it, as might be the case, if a separate group was set up for the purpose.

Research Activity (2)

Prior to considering the findings of Research Activity (2), the development of quality assurance as a specific element of the performance management regime, it is perhaps worth noting some of the comments from disseminating performance information down to the employees and the additional information that they would like to see provided. This additional information included requests for *“Details of Customer’s praise”, “Customer satisfaction surveys broken down into different groups, eg refuse collection, street sweeping, etc”*. This indicates clearly the general awareness by employees of the importance of customer views for the organisation and more specifically for themselves. These comments were of course received during the employee survey which took place in October 1998, some two and a half years after the performance management regime had been introduced. As has already been shown from the results of the longitudinal survey of DLO/DSO managers, a similar time had elapsed before customer surveys became fully operational in that there were no customer surveys carried out in year one; only three out of the nine DLO’s/DSO’s carried out customer surveys in year two; by year three, however, ie the time of the employee survey, all DLO’s/DSO’s were undertaking some form of customer survey. Another clear indication of the progressive awareness of the importance of the customer to the organisation as a whole.

Appreciation Talks On Quality

Instrumental in this customer awareness raising process was undoubtedly the Appreciation Talks on Quality which commenced in February 1997 and carried on until November of that same year. One of the quotes used during these awareness raising sessions (Oakland , 1993) was the following:

“A customer is the most important visitor on our premises. He is not dependent on us. We are dependent on him. He is not an interruption to our work. He is the purpose of it. He is not an outsider on our business. He is a part of it. We are not doing him a favour by serving him. He is doing us a favour by giving us an opportunity to do so” (Mahatma Ghandi).

Another key issue addressed during the awareness sessions which directly related to the customer was that of complaints and complaints procedures. The general perception was that there should be zero complaints and indeed, the whole regime was one in which there was a desire to achieve this. Whilst this may be possible in an ideal world, in practical terms, and in a modern society, the perception that you can achieve a situation where there are no complaints, is unrealistic. The realisation that this was indeed the case and, that it was not about **if** complaints were received, but what to do about them **when** they were received, was the key issue. An example used at the awareness raising sessions to help illustrate this, was that of the Cleansing and Waste Management DLO. In Refuse Collection there are 135,000 properties which require to be visited each week to collect refuse. This means that in one complete year there are a total of more than seven million visits made, each of which has the potential for something to go wrong and a complaint to be initiated. Accepting this fact, and setting up procedures to handle complaints efficiently and effectively when they were received, was a significant breakthrough in terms of customer care. It was also a significant breakthrough for elected members, who were able to respond to complaints and concerns received from members of the public in a much more informed way. The awareness sessions also helped in building relationships and trust between managers and elected members (Wilson and Game, 1994).

Documentation Standards

Establishing documentation standards for quality and quantity assurance systems provided considerable benefits for the DLO's/DSO's. Some of these benefits have already been referred to in Chapter 3, a number of others are listed below:

Quality Assurance Register - The establishment of a quality assurance register for the Sector as part of the document standardisation process had several distinct advantages. The first related to the identification of those members of staff who had experience in quality systems including those who were qualified Lead Auditors (International Register of Certificated Auditors (IRCA) Assessors of Quality Systems Course No A3803) and those who were qualified as Internal Auditors (IRCA Internal Auditors Course No R196). This enabled appropriate resources and expertise to be targeted and allocated to areas of most need. It also enabled training budgets to be more accurately calculated as the gap

between organisational need and qualified resources availability could be precisely established. The second advantage was that of networking. The register improved the communication between those involved with the implementation and maintenance of quality systems and provided contact telephone numbers for those seeking advice and guidance on quality issues.

Documentation Standards - The publication of common standards of documentation helped to rationalise the variety of procedures, forms and pro forma used with the quality manuals. This reduction in variety through standardisation also enable the quality systems audit process to be more efficient. Indeed, those who required to undertake the audits commented upon how straight forward the audit process had become as a consequence of standardisation and streamlining of the documentation. The streamlining also improved the speed at which new quality systems could be implemented.

Quality Audits

The overall objective of reviewing the DLO/DSO quality audit programme, as already outlined in Chapter 3, was to improve the sequencing of audits in a way which would increase the utilisation of current resources, provide a more balanced programme of audits and as a consequence, improve the overall efficiency of the quality audit programme. The outcome of the review provided the following benefits:

- Third Party Audits were resequenced, as were the Internal Audits, to provide a more balanced programme of audits and to ensure that all audits were scheduled to be done outwith the key budgetary and planning periods. This helped to balance the resource demand and increase the efficiency of the internal and external audit processes.
- DLO's/DSO's which had ISO 9000 accreditation were registered with three different accredited certification bodies (British Standards Institute (BSI) Quality Assurance, SGS Yardsley ICS Ltd and Lloyd's Register Quality Assurance Ltd). As a consequence of carrying out a rationalisation exercise the DLO's/DSO's which were registered with Yardsley and Lloyd's, re-registered with BSI. The resultant benefit was that the Council was able to

negotiate an 18% reduction of its external audit fees which were in excess of £20,000. It should be noted that there are more than fifty accredited certification bodies registered with the Association of British Certification Bodies (ABCB) in the UK.

- The work done on Quality Audits, and indeed the work done on the Quality Systems in general, removed much of the mystique and apprehension of Quality Assurance Systems for those Managers in the DLO's/DSO's which did not have them in place. One of the quotes from a Manager of a DLO registered to ISO 9001 standard typified this: *"I was advised that when we implemented our quality systems and achieved ISO 9001 I would be able to sleep at night - it certainly has helped!"* It is interesting to note that those DLO's/DSO's with Quality Systems in place expounded the virtues of having them, yet those which did not have them, expressed grave concerns as to the resource implications of having to document all procedures to establish a procedures manual which is the core of all Quality Systems. The concentration of activity on Quality Assurance throughout the Competitive and Technical Strategy Sector certainly focused the attention of everyone in the Sector of the importance of Quality and encouraged those DLO's/DSO's which were not ISO accredited to put plans into place to work towards achieving accreditation.

Example For Other Services

As has been shown, the Quality Systems initiative undertaken in the DLO's/DSO's had a significant impact on raising the awareness of the importance of quality service provision in each of the DLO's/DSO's. In the context of the Council as a whole, the work done in the Competitive and Technical Strategy Sector was seen very much as a model for others to follow. The initiation of Customer Surveys, the establishment of Corporate Complaints Procedure and the creation of Service Standards for all Services of the Council was certainly influenced by, if not actually a direct consequence of, the work done by the DLO's/DSO's. The fact that a Quality Assurance Register and a Quality Forum was established for the Council as a whole is testimony to this. In addition, those who had been instrumental in driving the Quality Assurance initiative in the DLO's/DSO's, along

with the techniques used to drive it, including the FIT Concept, were employed to do a similar exercise Council-wide.

Research Activity (3)

In relation to the findings of research activity (3), the development of supplementary initiatives, including the introduction of the EFQM model, it was described in the previous chapter how during the research the Council proposed to use the European Foundation for Quality Management (EFQM, 1993) model as a framework for continuous improvement, and as a means of establishing a performance score for the organisation as a whole. It was also described that when using a systems approach to the organisation, that a model, which matched that of the EFQM model, started to emerge. This is to say that the Input and Process of the systems model represented Leadership, People Management, Policy Strategy, Resources and Processes on the EFQM model, and that the Output of the systems model represented People Satisfaction, Customer Satisfaction, Impact on Society and Business Results (Appendix X). It is, of course, this Output or Results side of the EFQM model which was used to develop a Performance Framework for the organisation as a whole. Prior to describing the development of this framework, the conclusions from the Facilitated Assessment for Chief Executives (FACE) process, using the EFQM model in the Council are listed below.

FACE Assessment Results In The Council

In 1997 a number of pilot Services were selected to carry out FACE assessments using the criteria from the EFQM model. A similar exercise was carried out in 1998. In 1999 a full FACE assessment was carried out across all thirty two Services within the Council the results of all three assessments are shown in Appendix S.

It is interesting to note the conclusions of the 1999 assessment, particularly those relating to the Results side of the assessment, ie:

“As stated above, there was very little data submitted in the results section. This may reflect both the short timescale for completing the exercise and the

fact that Services are generally not good at measuring performance. Some of the major areas for improvement in results which were identified are:

- better information about customers and what they think about Council Services,*
- better information about what employees think,*
- meaningful ways to measure the effectiveness of policy and strategy,*
- a clearer idea of what it is the Council should be measuring and comparative data on service performance” (The Council, EFQM Service Assessment Results Report, 1999).*

These conclusions relate to the Council as a whole. However, contained within the report were the following comments relating to strengths within the DLO's/DSO's.

“Performance against Key Performance Indicators (KPI's) is communicated to employees in the DLO's/DSO's”.

“DLO's/DSO's involve employees in problem solving through the FIT charter approach”.

“Staff suggestion schemes have been introduced in DLO's/DSO's”.

“The DLO's/DSO's have consistently achieved their financial targets and were found by the Accounts Commission Audit to be soundly managed”.

“DLO's/DSO's have KPI's in place to measure the efficiency of some activities and areas”.

“FIT charter approach to improving some activities in Competitive and Technical Strategy Sector (C&TSS) with some use of focus groups and quality improvement teams, implementation of employee improvement initiatives in other services”.

"While DLO's/DSO's measure process efficiency, other services have identified the need for performance indicators".

"Roads DLO carry out three year customer surveys".

"Grounds Maintenance measure customer satisfaction with burial services".

"Cleansing and Waste Management have carried out surveys of customer satisfaction".

"Supplies and Printing have carried out a customer survey with positive results".

"The DLO's/DSO's have met their rates of return consistently over a number of years".

"DLO's/DSO's have external validation of sound management from Accounts Commission Audit".

"DLO's/DSO's are generally performing well against KPI's".

In contrast to the above, the specific comments relating to "weaknesses", ie areas for improvement, with the DLO's/DSO's were as follows:

"DLO's/DSO's have comparatively scarce resources to invest in training".

"DLO/DSO profits are removed and not re-invested in the business. Little incentive for other services to make savings if they vanish into the corporate pot".

"Customer input to DLO's/DSO's limited to client/contractor split".

"Some DLO's/DSO's see client and not the end user as their customer. Responsibility for customer service needs to be clarified in some cases".

It is interesting to note that there were fourteen strengths and only four weaknesses relating to the DLO's/DSO's. This is in contrast to a total of two

hundred and five strengths and two hundred and fourteen weaknesses, ie areas for improvement, listed for all Services of the Council in the assessment report.

Results Side Of The EFQM Model

An outline of how the Results side of the EFQM model could be developed to provide a performance management framework was given in Chapter 3. The general concept is to try to use the outcomes from the FACE assessments to monitor movements in performance. From work carried out by Quality Scotland it is considered fairly normal for an organisation to score 200-300 points (as shown for the Council in Appendix S), out of a total of 1000, on their first assessment. Organisations which have identified specific areas of weakness from the FACE assessment, and taken action to improve these, generally fall between 450 and 550 points on subsequent assessments. Those organisations with 650 points or more from the FACE assessment are edging into the World Class category. These points ratings are of course the result of assessing the organisation against all nine elements of the EFQM model and it is only the Results side of the model, four of the elements, which it is suggested can be developed to provide the performance framework ie a performance framework based only on output/organisational results.

The results side of the EFQM model (Appendix X) consist of:

People Satisfaction: What the organisation is achieving in relation to its people. This represents 9% of the model or 90 points.

Impact On Society: What the organisation is achieving in satisfying the needs and expectations of the local, national and international community (as appropriate). This represents 6% of the model or 60 points.

Customer Satisfaction: What the organisation is achieving in relation to the satisfaction of its external customers. This represents 20% of the model or 200 points.

Business Results: What the organisation is achieving in relation to its planned business objectives and in satisfying the needs and expectations of everyone with a financial interest or stake in the organisation. This represents 15% of the model or 150 points.

The above definitions are from the Facilitated Assessment for Chief Executives (FACE) Workbook, The Public Service Edition (1997), based on the EFQM Model for Business Excellence. They are the four elements which make up the Results side of the model and represent in total 50% of the model or 500 points. It is these elements that have been developed to provide Aggregated Performance Measures and Universally Indexed Results. It is worth noting that the highest scoring element is Customer Satisfaction at 20%, one fifth of the total model, indicating the importance of the customer within the EFQM scoring framework and of course to the organisation.

The importance of the customer and indeed all stakeholders to the organisation, was highlighted in a recent Institute of Directors (1999) Business Opinion Survey of its Members. They support the idea of organisations taking into account various stakeholders; how much particular stakeholders' views should be respected seems to be limited to how much they directly affected the business; stakeholders', customers' and employees' perspectives are considered by 92/94%, whilst those of local communities by 39% and those of society by 29%. When compared with the four elements of the results side of the EFQM model, ie People (employees) Satisfaction; Customer Satisfaction; Impact on Society and Business Results, reinforces the importance of these factors to all organisations.

Reward Structure And Performance Index

By aggregating the four elements of the Results side of the EFQM model performance measures can be established for the organisation as a whole (Aggregated Performance Measures). By relating these measures to basic salaries/ wages of those employed in the organisation, it is possible to create a rewards structure which is directly related to improvements in the Aggregated Performance Measures. Therefore, if say in period one, a FACE exercise is completed, a base line can be established from which the organisation needs to improve. Subsequent assessments will show these improvements which can then

be directly related to a rewards payment structure applicable to all employees of the organisation. Appendix Y shows a graph of this points/payment structure in which the example illustrated is straight proportional (ie 1% measures in results represents 1% increase in salary/wage). It is also indicated on the graph that a Geared points payment relationship can be adopted if required (ie say, 1% increase in results represents only ½% increase in salary/ wage).

The benefits of such a rewards system if applied, is that it is applicable to all employees of the organisation on an equal basis. The fact that it is related to a percentage of the individual employee's salary/wage means that the reward is proportional to the perceived value of the employee to the organisation. (This is of course assuming that employees are correctly graded and payscales are correct). The rewards system has also an advantage over say a share issue system which can fluctuate as a consequence of factors outwith the employee's control eg market confidence. The allocation of shares also tends to be substantially higher for the few at the top of the organisation rather than the many at the lower end. The concept of share holding is not an acceptable term in the context of local authorities either. By far the biggest perceived advantage of what is proposed is Goal Congruity, in that everyone in the organisation is working towards the same objective which is to improve the organisation's overall results, and the rewards can be seen to be fair across the organisation as a whole.

Universally Indexed Results

It was indicated earlier that there are almost 1900 organisations throughout England and Scotland that are registered with the respective Quality Foundation. Assuming that those organisations are using the EFQM model and are completing a FACE assessment on a regular basis, then they would be generating points for the results side of the model as a matter of course. By surveying those organisations on a regular basis it would be possible to establish a listing of results for all the organisations. If by putting these organisational results into appropriate industrial categories and dividing each result by five to provide an index (ie organisation "A" number of points for the Results side of the FACE assessment is say 270, then the Index is $270 \div 5 = 54$) it is possible to establish an index for each organisation and each industrial category. By carrying out such a survey on say a monthly basis it would be possible to compare changes in the

indices and, therefore, monitor trends in organisation and industrial category performance. Indeed, this could become a type of FT Index (Financial Times Share Index), but for organisational performance. The fact that the EFQM model is a European model, would seem to infer that it is being universally applied throughout Europe. If this is the case, then there would appear to be no reason why a similar survey could not be set up to cover the organisations using the model in other European countries. This would enable indices to be derived for organisations and industrial categories in different countries which could then be used to compare performance and performance trends, one country against another. From this it would be possible to establish an organisational performance index for Europe as a whole. Monthly updates from surveys would allow trends in this European index to be monitored and enable the Aggregated Performance Measures from the EFQM model which provides Universally Indexed Results to become an accepted measure of organisation performance both nationally and internationally.

It is interesting to note that one of the most recent attempts to establish an all embracing index of performance (Stainer, 1999) suggests that this can be stated in terms of Values to Stakeholders (V) and developed through the acronym (CREMS). The equation $V = C + R + E + M + S$ where Customer Satisfaction (C) is concerned with customer requirements; Resource Effectiveness (R) refers to the achievement of profitability and total productivity objectives; Employee Satisfaction (E) pertains the quality of worklife; Market Effectiveness (M) relates to the attainment of targeted market share and position; Social Effectiveness (S) is associated with fulfilling the stipulated ethical and environmental dimensions. It is further suggested that each element should be weighted according to its perceived priority or importance to management. An organisation's emphasis, and hence its weighting scale, would be dependent upon its culture and characteristics as well as its size and structure. The reason for producing such a framework, it is argued, is that there is no single-answer model mirroring values and business success. Yet the Aggregated Performance Measures from the EFQM model which provides Universally Indexed Results would seem to suggest otherwise.

It is recognised, however, that the criteria for applying the EFQM model are different in the public and voluntary sectors from that of the private sector, page 117 refers, and is evidence that private sector techniques may need to be adapted before transferring them into the public sector.

A similar proposal to CREMS has been made in relation to what is referred to as "*The New Performance Management Framework*" (Rashid, 1999). Here it is suggested that contemporary frameworks and systems do not provide the required '*organic*' approach to performance management for, what the author refers to as '*the new local government*'. It is also suggested, that this new local government differs so greatly from the local government that operated over the last 20 years and is so complex in terms of its relationships with the government, markets and society, and its relationships to the strategic, corporate and operational arenas, that a '*calculus*' approach is what is required. It is further suggested by the author, that this approach should not only be organic but unique for each Council because local circumstances differ as do the political, social and economic environments. This new performance management framework is based on four key quadrants:

- Civil Leadership and Democracy
- Strategic Planning
- Results-Oriented People
- Operational Control

Each quadrant is further segmented into "*arenas*" which in turn contain what are referred to as "*important clusters of activities*". It is interesting to note that one of these important clusters of activities is the Business Excellence Framework (EFQM Model) which is located in the Results-Oriented People quadrant under the Organisational Performance arena which includes: Investors in People, Core Competencies, Development and Training Plans, Operational Control, as well as the Business Excellence Framework. The application of this new performance management framework requires qualitative and subjective assessments on the basis of a suggested rating scale of 1 to 6, where 1 = Not Used and 6 = Exceptional Commitment.

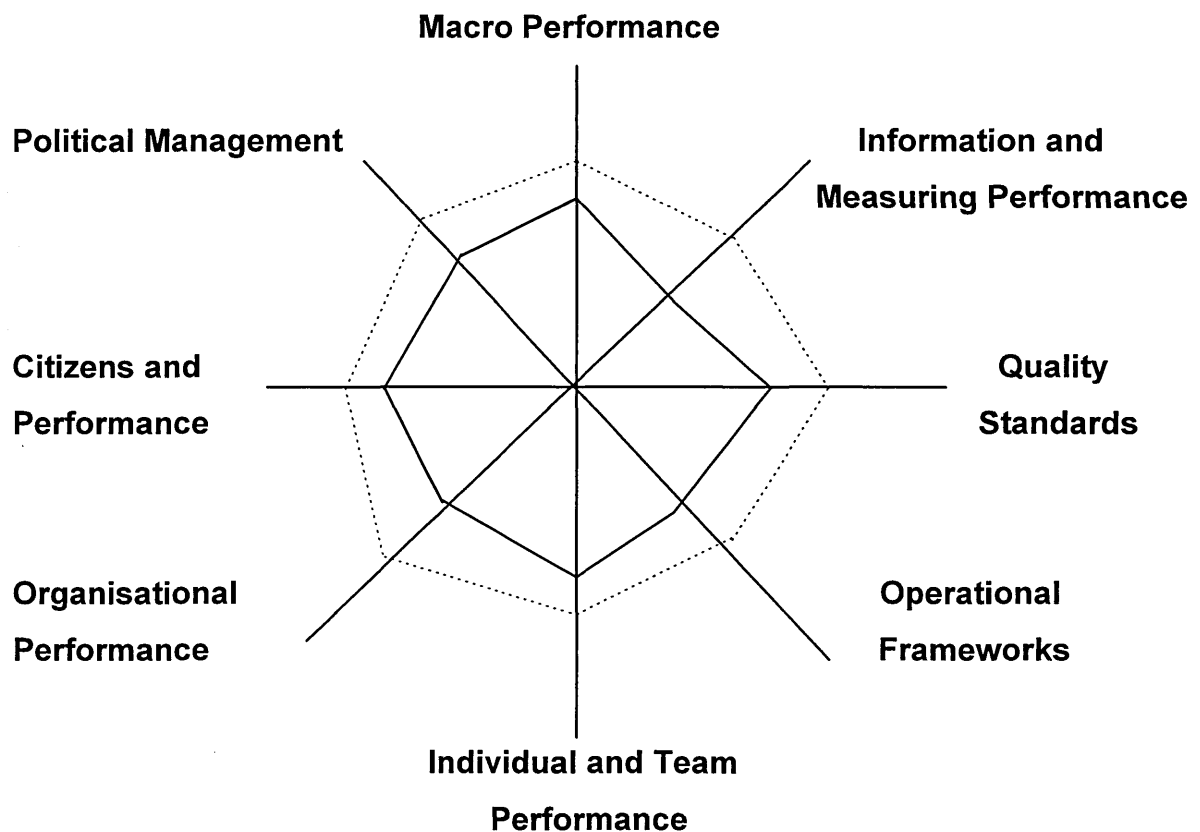


Figure 11 - New Performance Management Framework Diagnostic Chart

Figure 11 above illustrates the type of diagnostic chart which is produced by applying this new performance management framework. The dotted line shows the desired position to which the Council would wish to aspire, and the solid line shows the actual position after evaluation. It is further suggested (Rashid, 1999) that the new performance management framework can be used as a *“simple diagnostic tool”* but it does qualify this by stating that the accuracy of the diagnosis depends on *“the amount of time invested in the process which can be considerable”*. This qualification is perhaps understandable when one considers the many variables encompassed by this framework and the practicalities of busy managers trying to apply it.

Dashboard Indicators

The concept of Dashboard Indicators stemmed from the problems relating to the time involved at the Commercial Services Management Committee discussing performance information from the nine DLO's/DSO's. The establishment of the Officer/Member Sub-Committees to act as a filter for performance information and to report to the Commercial Services Management Committee by exception only, certainly helped to reduce the time required for discussion at the main Committee. Dashboard Indicators were supplementary to this filtering process and were established for use by both senior management, including the Chief Executive, and elected members. The concept is that at a glance the information would convey the operating condition of the organisation and whether it was sound and in good order. Where a problem did arise or a critical factor was unsound then this would be shown by the indicator and corrective action would be required. An illustration of these Dashboard Indicators using the Results side of the EFQM model is shown in Appendix Y₁.

In Appendix Y₁ the four Results elements of the EFQM model are listed with the respective percentage/points. An example is shown of how targets would be set for each of the elements using the FACE assessment as a baseline. Monitoring actual outcomes from subsequent assessments against the targets set would enable gaps in performance, which may be positive or negative, to be measured. Colours could be used to indicate those factors which are above or below target (Green or Red respectively). Then the busy executive/member could scan down a column of performance indicators and identify the negative ones at a glance. Appendix Y₁ also shows pictorial indicators which could be used as an alternative to numbers (as in the case of the published information for employees) so that the pointer on the dial, or colour on a horizontal bar, indicates the status or mode of the performance element. A similar method was used with the balanced scorecard in the DLO's/DSO's to help disseminate key performance information down to employees (Appendices J and J₁).

This concept of Dashboard indicators or, as was referred to in the survey of DLO/DSO managers, the dials on the business control panel had a significant impact on the perception and understanding of elected members/managers/employees of what performance management is all about. The concept also

helped to clarify and bring into perspective many of the terms used in performance management, eg targets, benchmarks, actuals, performance gaps, corrective action, etc enabling everyone to talk the same language. Above all, the concept simplified performance monitoring, enabling incremental improvements to be identified clearly and this, in turn, encouraged those who could influence the indicator to greater effort.

Other Local Government Performance Management Initiatives

Reference was made in Chapter 3 to the renewed emphasis by Government to introduce Best Value (the basis of which is a performance management culture) as a replacement for CCT (which was based on market competition). The first stage towards implementing Best Value in Scotland was that all Scottish local authorities were required to develop implementation plans (1997/1998) which would demonstrate their commitment to Best Value. In the Council this was achieved by the submission of documentation to the Secretary of State for Scotland (September 1997) which showed how Best Value systems were either in operation, as with the DLO's/DSO's, or how they were to be developed, as with the remainder of the Services within the Council. This submission included self-assessment of the Council's management arrangements, and was subject to scrutiny by the Scottish Office during November 1997 to February 1998. The Council satisfied the Scottish Office requirements, as did eventually all other 31 local authorities in Scotland.

Best Value Appraisal And Development 1998/1999

The Scottish Office issued a circular (Scottish Office Development Department, SODD Circular 12/98) in July 1998 which required Councils to submit the following information during September to November 1998.

- A Progress Report on their 1997/1998 Best Value Implementation Plans
- New Implementation Plans for the period up to May 2000, including how each Council would develop prototype Public Performance Reports
- A Sample of Service Reviews for audit/scrutiny

Councils were further required to submit prototype Public Performance Reports (PPR's) by June 1999. The first full PPR's are to be in place by May 2000 when it is expected the Best Value regime will be fully operational.

In the Council, in order to comply with these requirements, considerable emphasis was placed on the work which had been undertaken in the Competitive and Technical Strategy Sector in implementing the performance management regime in the DLO's/DSO's. The Best Value Team, set up to co-ordinate the work required to be undertaken for all Services of the Council in order to comply with the Best Value submission timetable to the Scottish Office, utilised the techniques and methodologies employed in the DLO's/DSO's to implement the performance management culture. These included: Team Working, Service Planning, Performance Measurement, Quality Management, Project Management and Continuous Improvement techniques. The use of these techniques and methodologies enabled the Council to successfully meet the Scottish Office timetable. Only time will tell if ultimately the implementation of the Best Value regime across the whole of the Council achieves the overall objectives of providing better and higher quality of services to the Council Tax Payers ie the customer.

The above may be particularly considered in terms of the suggestions made by some observers (Van Granberg and Teicher, 2000) that the transformation of local government administration into a managerialist model has been illusory, or at best only partial, because of the combination of the prescribed nature of the Government's reforms and the inherent tensions and contradictions emerging in the practice of *"new public management"*. The paradox of the *"new public manager"* is that, rather than gaining greater strategic managerial control and autonomy envisaged by the private sector model, a more intensive control over council managers by central Government has emerged.

BEST Scheme

A supplementary initiative undertaken by the Council during the initial introduction of the Best Value Regime was to introduce an employee suggestion scheme. The purpose of the scheme was to raise the awareness of employees to Best Value and also to include them in the Budgetary process by getting them to suggest ways to save money or increase income of the Council. The scheme, known as

BEST (Budget Employee Savings Targets), was introduced for a limited period and provided awards of £25 to £500 to employees, depending on the income/savings generated by the suggestion. The scheme produced 431 ideas of which 155 were implemented (many of those not implemented were either current policy and practice or already under review). The total savings/increase in income generated from these ideas was £961,751 per annum. Both the adoption rate of 36% and average financial benefit from each idea of £2,315, are quite impressive when compared against an adoption rate of 25% which could have been expected (McConville and Wood, 1990) and the average financial benefit of £1,250 which could have been anticipated (UK Association of Suggestion Schemes Survey 1998). However, the scheme only produced an average of 2 ideas per 100 employees, as opposed to an average of 5 per 100 as suggested as a minimum average (UKASS and the Industrial Society Survey 1998). This was probably due to the limited period the scheme was in operation, ie 8 weeks. Some added benefits derived from the scheme was that it generated considerable publicity both inside and outside the organisation, and the whole Budget process of which the BEST scheme was a part, was cited as one of the three examples of best practice in a report by the Accounts Commission, *The Challenge of Charging*, 1997. It is interesting to note that the BEST scheme was implemented using the FIT Charter approach. A copy of the BEST scheme leaflet which was distributed to all employees is shown in Appendix AE.

Accounts Commission Reports - Findings

In Chapter 3 reference was made to two reports published by the Accounts Commission. The first was a report on all DLO's/DSO's in Scotland (SR 98/1 Controller of Audit, 1998), the second a report on the DLO/DSO with the largest financial deficit in Scotland (SR 98/2 Controller of Audit, 1998). The findings of both these reports provide a direct comparison of the management arrangements, including that of the management of performance, in the Council and all the Other Council DLO's/DSO's in Scotland. However, these comparisons need to be considered in terms of the qualifications in both reports given by the Controller of Audit ie (SR 98/1) *"The investigation took the form of a questionnaire which was completed by all 32 Councils in Scotland for the period 1997/1998. At that time these Councils were responsible for 271 DLO's/DSO's, employed 50,000 full-time equivalent employees and had a total turnover of more than £1,400 million per*

annum. Auditors for the Accounts Commission reviewed the completed questionnaires and carried out selective testing to verify the validity of the information”; and, in the Controller of Audit’s second report, on the outcome of the investigation into the authority with the largest deficit in Scotland (SR 98/2) “the objectives of the investigation were to:

- consider the principal factors that contributed to the deficit
- establish why the deficit was not identified during the year, and
- identify the lessons to be learned for the future.”

SR 98/1 Accounts Commission Survey Of All DLO’s/DSO’s In Scotland

The following extracts are from the report by the Controller of Audit on the investigation, which was originally initiated because of the number of DLO/DSO which reported deficits for the financial year 1997/1998.

The number of Councils with DLO/DSO Deficits in 1997/1998 was 50%. The breakdown of this is shown in Table 5.

<i>Deficits in 6 or more DLO’s/DSO’s</i>	<i>2</i>	
<i>Deficits in 5 or more DLO’s/DSO’s</i>	<i>2</i>	
<i>Deficits in 4 or more DLO’s/DSO’s</i>	<i>0</i>	
<i>Deficits in 3 or more DLO’s/DSO’s</i>	<i>5</i>	
<i>Deficits in 2 or more DLO’s/DSO’s</i>	<i>2</i>	
<i>Deficits in 1 or more DLO/DSO</i>	<i>5</i>	
<i>No Deficits</i>	<i>16</i>	
	<hr/>	32 Councils

Table 5 - Councils With DLO/DSO Deficits In 1997/1998 (Source: SR 98/1 Controller of Audit, 1998)

There were 28 DLO’s/DSO’s with financial deficits of more than £100,000. Over half of these were Building Maintenance and Highways DLO’s. The breakdown of these is shown in Table 6.

	Total Number of DLO's/DSO's	Number With Deficits >£100K
<i>Building Maintenance</i>	32	9
<i>General Highways</i>	30	6
<i>Refuse Collection</i>	32	1
<i>Building Cleaning</i>	32	3
<i>Street Cleaning</i>	21	-
<i>School and Welfare Catering</i>	14	4
<i>Other Catering</i>	21	3
<i>Leisure Management</i>	26	-
<i>Ground Maintenance</i>	32	-
<i>Vehicle Maintenance</i>	31	2
	271	28

Table 6 - Deficits In Excess Of £100,000 In 1997/1998 (Source: SR 98/1 Controller of Audit, 1998)

It is interesting to note that the report states that 83% of the DLO's/DSO's achieved their break-even target in 1997/1998, it also states that the number to reach a break-even in 1996/1997 was 75%, evidence of an improving situation, yet there is no mention of this in the conclusions of the report! The conclusions and recommendations which were made as a result of the investigation can be summarised as follows:

- *"Councils must be clear about the roles, responsibilities and accountabilities of Chief Executives, Directors/Heads of Finance and DLO/DSO managers.*
- *Councils should have a statement of their strategic objectives in service delivery.*
- *DLO's/DSO's should have business plans which explain how their activities can be run profitably given the income generated from work undertaken for Council departments.*

- *Councils should make clear the role of Committees.*
- *Councils should ensure that the information systems in DLO's/DSO's are fit for their purpose.*
- *Councils should consider urgently whether there is scope for improving the arrangements for controlling and monitoring bonus as a significant number of bonus schemes have not been reviewed since local government reorganisation.*
- *Councils should consider whether co-operation with each other to create longer DLO's/DSO's would bring gains in economy and efficiency."*

In contrasting the above recommendations with the situation in the Council it has been clearly shown that all of the issues, with the exception of the last one, had already been addressed in that:

- roles, responsibilities and accountabilities had been established,
- strategic objectives in service delivery had been specified,
- business plans for each DLO/DSO were in place,
- the roles of the committees were defined,
- information systems fit for purpose were either in place or being developed, and
- monitoring and controlling of bonus through bonus scheme review was in the process of being completed.
- There had, however, been no consideration given to co-operating with other Council's in order to create larger DLO's/DSO's, although there has been efforts made to increase the customer base by some of the DLO's/DSO's in

the Council by undertaking work for other public funded organisations (ie Health Trusts, Royal Dockyard, Benefits Agency, etc).

The general outcome of this pro-activeness by the Council was that, its DLO's/DSO's were some of the most successful in Scotland in terms of financial returns (ie all its DLO's/DSO's returned a surplus in the financial year 1997/1998 Appendix Z), and the fact that the Council was the only aggregating authority to do so makes this even more remarkable. This success of the DLO's/DSO's in the Council was also confirmed by the results from the second report carried out by the Controller of Audit (SR 98/2, 1998) which investigated the local authority with the largest DLO/DSO deficit in Scotland for 1997/1998.

SR 98/2 Accounts Commission's Investigation Into The Council With The Largest DLO/DSO Deficit In Scotland For 1997/1998

The investigation by the Controller of Audit into the local authority (referred to as the Other Council) with the largest DLO/DSO deficit in Scotland for 1997/1998 (£4.172 million deficit - Appendix Z) makes interesting reading when compared with the results in the Council's DLO's/DSO's for 1997/1998 (£4.87 million surplus - Appendix Z). The profiles of the two Councils are very similar yet the financial results are significantly different.

An outline of each Council's profile is as follows:

	<i>THE COUNCIL</i>	<i>THE OTHER COUNCIL</i>
<i>Size of Authority</i>	<i>3rd largest in Scotland</i>	<i>4th largest in Scotland</i>
<i>Spend per Annum</i>	<i>£400 m plus</i>	<i>£322 m</i>
<i>Population</i>	<i>356,000</i>	<i>327,000</i>
<i>Aggregating Authority in 1996</i>	<i>3 District and 1 Regional Council</i>	<i>4 District and 1 Regional Council</i>
<i>DLO/DSO Financial Results</i>	<i>£4.87 m Surplus</i>	<i>(£4.172) Deficit</i>
<i>1997/1998</i>		
<i>Performance Management Systems</i>	<i>Yes (Wide Range)</i>	<i>No (See quotes from the Controller Of Audit's Report below)</i>

Table 7 - Council Profiles (3rd and 4th Largest in Scotland)

The Controller of Audit's report is some 75 pages long and contains 14 specific conclusions. For the purpose of comparing his findings and the reasons why a deficit of £4.172 million occurred in the Other Council against the return of a surplus of £4.87 million in the Council, extracts from the report are listed below:

Extracts From The Controller Of Audit Report (SR 98/2, 1998)

REASONS FOR THE FAILURE TO IDENTIFY THE DEFICIT

"The Role Of Committee And Councillors

12.15 *At member level the Finance Committee received reports throughout the year which showed actual levels of income and expenditure compared with budget, and the financial performance of the DLO to date. Councillors are entitled to rely upon officers presenting reports which accurately reflect financial performance, adequately explain significant variances and which bring matters of concern to their attention. In relation to the DLO, Councillors were poorly served by officers in that the reports which were presented to them were inadequate and wholly inaccurate. It is my understanding that throughout the year Councillors generally received positive assurances about the performance of the DLO. No indication was given to a Committee of the Council at any stage that the performance figures were either weak or unreliable. This meant that there was little questioning of financial reports by members."*

Comment : The real indictment in this extract is the quote "reports which were presented were inadequate and wholly inaccurate" A clear indication of the performance information being "Technically Unsound" and therefore "Misleading" (see Figure 4 Sound/Unsound Measures). This is confirmed by the figures in 11.15 below.

"11.15 The reports produced during the year showed both the Building and Roads sections of the DLO being consistently in surplus from period 6 onwards. When the annual accounts for the DLO became available in May 1998, far from showing a profitable position, they showed that the DLO had incurred an overall loss of £4.66 m. The figures are shown below:

PERIOD	DATE PRESENTED TO COMMITTEE	SURPLUS/(DEFICIT) REPORTED BY MANAGEMENT	
		Building DLO	Roads DLO
4 (to July 1997)	28 August 1997	(747,386)	506,286
6 (to Sept 1997)	23 October 1997	21,186	13,215
7 (to Oct 1997)	4 December 1997	50,030	10,832
9 (to Dec 1997)	29 January 1998	151,211	49,623
11 (to Feb 1998)	12 March 1998	1,523	2,269
12 (to March 1998)	30 April 1998	47,072	26,483
13 (Unaudited Accounts)	Late May 1998	(2,030,380)	(2,361,617)

Table 8 - Surplus/(Deficit) Reported by Management (Source: SR 98/2 Controller of Audit, 1998).

Comment: This is a clear indication in the Other Council of a failure to provide reliable information upon which sound decisions could be made. It is also indicative of managerial attitudes and how little importance was placed on the provision of sound information to elected members. This situation was also evident in the Council in 1996 when the first interviews with the DLO/DSO managers were carried out. The attitude at that time was *"We are only providing this information to keep the elected members happy - it is really of no consequence"*.

"12.2 Early in my report I mention the complexities and challenges of local government reorganisation, which were very real. The pressures upon senior officers in all Councils were considerable, but these pressures were in my opinion especially severe in this Council where the challenge involved bringing together all or part of several old Councils to create one new authority, on extremely tight timescales and against a background of budget cuts. Significant failures undoubtedly occurred, but they must be

viewed in the context of the disruptive effects of local government reorganisation.”

Comment: It would appear from the comparison of profiles in Table 3 the “complexities and challenges of local government reorganisation” in the Other Council was not that different from the Council apart from the presence of a sound performance management system.

“12.6 In reviewing the factors which contributed to the DLO deficit it is clear that there were failings in a number of key areas of the DLO. Many of the difficulties experienced were due, in my opinion, to the absence of reliable information. As a result, key decisions were taken without a proper evaluation of the consequences. The introduction of the new bonus scheme without any assessment of the overall cost and the award of home to office travel allowances without accurate quantification of the cost are prime examples. Other examples include the failure to quantify the financial impact of the appointment of additional indirect employees on bonus payments and, ultimately, on the profitability of contracts.”

Comment: Problems with the Payment Scheme (Bonus, etc) reflect previous 30 year history and also reinforces the result of the research (Bowey A et al 1982).

“13.10 My final observation is that the Council, certainly between 1996 and 1998, did not have in place a comprehensive performance management system for its staff. The absence of such a system can be explained by the fact that the Council was a very new organisation. If, however, a performance management system had been in place it could have helped to avoid or reduce some of the problems. In particular, it could have clarified accountabilities amongst key officials and improved the opportunity for regular and structured communication.”

Comment: This again reflects the comment to extract 12.2 in that the Council was also “a very new organisation” and not that different in profile to the Other Council. The Council had, however, in addition to having a sound performance

management system in place, *“clarified accountabilities amongst key officials”* (Chapter 1 refers).

“13.14 All organisations evolve and change over time, bringing changes and pressures upon employees. An effective performance management system in a Council should provide opportunities for a periodic dialogue between the Council and its Chief Executive, between the Chief Executive and Directors, between Directors and other Managers, about changing expectations and priorities for action. A performance management system allows the opportunity to communicate about new problems, so that these can be addressed. I would encourage the Council and its Chief Executive to introduce such a system in this Council.”

Comment: Emphasises the importance of having in place a comprehensive performance management system - Reflects the Hypotheses and Testing the Hypotheses.

It is appreciated that the information in the Controller of Audit's Report is merely a snap-shot in time and the situation is much more complex than can be conveyed in such a report. Nevertheless, the contrasts between the Council and the Other Council make very interesting reading and provides another significant source of evidence in the case study that is independent in respect of convergence/triangulation in establishing the facts (Yin, 1994a).

CONCLUSIONS

The purpose of this chapter was to describe in detail the findings of the research and to illustrate the significant issues which arose during the research programme. These were covered in a similar way to the research as outlined in Chapter 3 in that the findings of Activity (1), the development of the performance management regime within the DLO's/DSO's, were covered first, Activity (2), the development of quality assurance as specific element within the performance management balanced scorecard, covered second, and Activity (3), the development of supplementary initiatives, including the introduction of the EFQM model, within the Council, covered last. A summary of the findings and outcomes of all three research activities is provided below.

Activity (1)

The findings of research Activity (1), the development of the performance management regime, described how the FIT Charter concept supported the Council's aim of team working and how this systematic and structured approach helped to implement successfully a range of initiatives throughout the Council, including those relating to the performance management regime. Like all concepts FIT was successful because it addressed all the key issues: in particular the team working problem areas of Goals, Roles, Procedures and Relationships (Irwin, Plovnick and Fry, 1995). Perhaps, the most important of these areas is that of Roles and specifically the roles undertaken by the Sponsor, Owner and Facilitator of the project. It is critical that these individuals are fit for purpose, ie suitably trained and experienced to undertake their respective duties. Experience has shown that where there have been instances of those involved not being fit for the task, the project invariably falls behind schedule and/or goals are only partially met. Well trained and experienced individuals (good players) are the essence of a good team and a systematic and structural game plan (project phasing) the basis of achieving synergy of purpose and ultimate success (Ansoff, 1982).

Standardisation and the Balanced Scorecard

In the same way as the FIT Charter Concept helped to standardise the approach to team working/project management and provided a framework/structure to follow, so the reduction in variety through standardisation, and implementation of a balanced scorecard approach to performance management, helped to improve understanding and interpretation of how the DLO's/DSO's were performing.

Longitudinal Survey 1996 to 1999

The longitudinal survey of the DLO/DSO managers provided evidence of how their perception and understanding to performance management changed over time and of how their attitude towards providing performance information to elected members and their relationship with elected members (Wilson and Game, 1994; Broussine, 2000) also changed. The survey detailed how the managers' perceptions changed in respect of the use of certain performance indicators. For example, Financial indicators were considered important from the outset and continued to be the most important factor throughout the survey. On the other hand, other indicators such as those relating to Workload, Human Resources,

Vehicles and Equipment, Quality and Supplementary issues developed at different rates. This variation in development depended on a number of factors which included: the perceived importance of the indicator to the DLO/DSO in question, the causal linkages among certain indicators, the general availability of existing information systems to provide the relevant information required, the demands placed on DLO/DSO manager by the Corporate Manager/Committee and the responsiveness of the individual manager to those demands. The survey also showed that although the balanced scorecard of measures was implemented in three months, it was almost three years, progressing through the four phases of development, pages 150 - 153, before it was fully operational. A clear indication of the time required for the change process to take place.

Prepared For Best Value

An interesting comment from a number of the DLO/DSO managers at the end of the survey period related to the introduction of the Best Value regime into local authorities by the Government. All managers acknowledged that they were well ahead of other Council DLO's/DSO's in Scotland because of the early introduction of the performance management regime into their DLO's/DSO's. They also acknowledged that had it not been for the Sector's Corporate Manager's insistence on the early introduction of such measures, the success currently being achieved by all the Council's DLO's/DSO's in terms of financial returns would have been much more difficult to achieve.

Development Of The Type And Range Of Information Submitted To Committee

It was shown in this Chapter how significant events in the development of the performance management regime affected the way performance information was presented to Committee.

These included:

- The Format of Presentation - changed from an original format of standard statistical returns to reporting by exception using pictorial representations (including the concept of dashboard indicators).

- The Establishment of a Glossary of Terms - needed to ensure everyone was defining and interpreting the performance information correctly.
- A Forward Programme for Submission of Information - needed to ensure everyone knew what was to happen and when.
- The Establishment of Member Officer Working Groups - to act as an interim stage for discussing performance issues prior to reporting them to Committee. This also helped improve the relationship between officers and elected members.

The findings in this Chapter have shown that the development of these issues had significant implications for the operation of the performance management regime in the Council.

Field Experiment Using the Bradford Factor

The findings of the field experiment using the Bradford Factor, illustrated clearly that by monitoring and controlling the level of sickness through a series of measures relating to sickness absence, and taking corrective action against those not conforming with the norm, changed the behaviour in the organisation and resulted in an overall reduction in sickness absence of 19%. It is interesting to note that many employees welcomed the introduction of this control measure.

Disseminating Performance Information to Employees

The questionnaire issued to employees on the publication of performance information provided a response rate of 44%. Of those returned, 55% indicated that employees were interested in the information. As to whether there will be a change in their behaviour to move performance information to the good remains to be seen. The fact that all of the DLO's/DSO's are continuing to provide a satisfactory statutory target (ie a financial surplus) may be the ultimate factor which governs employee behaviour. (See 1996/98, 1997/98, 1998/99 Financial Year End Adjusted Surplus/(Deficit) Appendix AF).

Activity (2)

The development of the Quality Assurance initiatives in terms of changing behaviour of the organisation was very significant. It has been shown how the delivery of Appreciation Talks, the Standardisation of Documentation and the Review of Quality Audits, all had an effect on raising the awareness of the organisation on the importance of Quality. The significance of the Customer as the recipient and ultimate judge of that Quality was also brought into focus. Evidence from the longitudinal survey demonstrated improvement in the performance factors relating to Quality with positive changes in rectification costs and improved methods and response times for dealing with Customer Complaints. All these factors had an influence on changing attitudes towards Quality and subsequently helped to change the performance measure on Quality to the good.

Activity (3)

The findings of research Activity (3) showed how the EFQM model was introduced into the Council across all Services as a means of providing a framework for continuous improvement. It also showed that by using a systems approach to the organisation it matched the European Foundation of Quality Management (EFQM) model. By developing the Results side of the EFQM model it was possible to derive a performance model for the organisation as a whole. This performance model, known as the Aggregated Performance Measures (APM) model, could be used to derive a performance index for the organisation, and indeed for all organisations using the model, which would provide Universally Indexed Results. These Universally Indexed Results could in turn be used to create a league table for those organisations using model (a kind of FT Index, but for organisational performance) and these league tables could be created for specific industrial/service sectors. The fact that the model is a European model suggests that not only could organisations and industrial/service sectors in the UK be compared, but also organisations and industrial/service sectors in different countries could be compared ie an international league table.

The findings of research Activity (3) also showed how the Aggregated Performance Measures model and Universally Indexed Results could be used to devise a reward system for the organisation as a whole and how the salaries and wages of all employees of the organisation could be linked to the index. The

advantages of such a reward system are those of equity, transparency and goal congruence.

The development of the Results side of the EFQM model to establish Dashboard Indicators illustrated clearly how it is possible to improve the presentation of an organisation's key performance information, both statistically and pictorially and thus enable managers to make speedier assessments of the soundness of the organisation and as a consequence make more informed, and hopefully better, decisions.

Other Initiatives - Best Value

In an earlier part of this concluding statement reference was made to the preparedness of the DLO's/DSO's in the Council to meet the challenges of Best Value and the acknowledgement by the managers that the early implementation of the performance management regime had proved invaluable. It was also illustrated at the beginning of Chapter 4 how the techniques and methodologies used to implement the performance regime in the DLO's/DSO's and the experience gained in doing this, were used to implement performance management across all Services of the Council in order to meet the requirements of Best Value. Indicative of the benefits gained from the earlier process.

The BEST Scheme

The implementation of the BEST Scheme to help raise employee awareness of Best Value and encourage them to participate in the Budgetary Process by submitting ideas which would reduce costs or improve income, reinforces the view that a strategy in an organisation the size of the Council consists of many initiatives all designed to achieve the one strategic aim. In this case to raise employee awareness on the importance of their role in improving the efficiency, effectiveness and economy of the organisation.

Accounts Commission Findings

The view that a strategy is made up of many initiatives is perhaps no better illustrated than the results, conclusions and recommendations made in the Accounts Commission's reports (SR 98/1 and SR 98/2 Controller of Audit, 1998), **even taking into account the context in which those results were**

established. The Council's strategy of implementing a performance management regime in its DLO's/DSO's would appear to be vindicated, particularly when compared with the overall results of all the Other Council DLO's/DSO's throughout Scotland. These results and the other findings from this case study are discussed in greater detail in the next chapter.

CHAPTER 5

CHAPTER 5 - DISCUSSION

Introduction

The purpose of this chapter is to provide an overview of the research and to discuss further the key factors of the case study prior to detailing the conclusions in Chapter 6. The modus operandi of the research is also discussed as well as the findings, how these findings relate to the initial aims and objectives of the case study and, of course, how they relate to the research questions. It is also shown how multiple sources of information have been brought together, in a convergent manner, to establish robust facts through the concept of triangulation in order to test the research hypotheses.

Background

The research has shown how in 1996, as a result of local government reorganisation in Scotland, 32 single-tier authorities were created to deliver a range of services to the Scottish public. The research has also shown how the Council, which was one of those single-tier authorities, was to be structured and how, according to its Chief Executive, *"the Council will be unique in Scotland because of the way it is to be run team working will be the norm throughout the Council.... Three sectors have been created to ensure services work more effectively together these sectors will also mean that the Council provides more efficient and effective services to the people"*.

The Sector of the Council in which this research was based was the Competitive and Technical Strategy Sector, which was headed by a Corporate Manager who had responsibility for nine very diverse DLO's/DSO's. The primary task of the Corporate Manager was to bring together these diverse DLO's/DSO's, which were created from three District and one Regional Council at reorganisation, into an efficient and effective business sector of the Council. The manner in which this was to be done was through the introduction of a performance management regime that was designed to make each DLO/DSO operate in a more business like fashion.

History

A review of the history of performance management systems in local authorities (Chapter 2) showed that traditionally the emphasis on monitoring and control had been through the use of the budgetary process in which Services of the Council were expected to function within their budget allocation. How effectively those budgets were utilised was not, however, a principal consideration. It was also shown how in the mid-1960's, in an effort to improve the efficiency and effectiveness of labour in local authorities, the Government introduced Payment by Results (PBR) schemes. Evidence since then, has demonstrated that these schemes had only limited success and that a major explanation for this was the failure of such schemes to achieve the necessary changes in behaviour. Indeed, many local authority managers perceived these schemes as being, firstly, a means of improving the low wage rates of those who worked in local authorities and, only secondly, a means of improving the efficiency and effectiveness of service delivery. Consequently, managers' commitment to PBR schemes was significantly less than it ought to have been, and without this commitment, ie full commitment from the Top, which all such initiatives need, it was almost inevitable that they would fail to achieve their objectives and fall into disrepute.

In 1980, and subsequently in 1988, the Conservative Government, in an effort to improve the efficiency and effectiveness of local authority DLO's/DSO's, introduced legislation in the form of the Planning and Land Act which forced these Services to compete for work with the private sector. This competition, known as Compulsory Competitive Tendering (CCT), saw renewed efforts by the DLO's/DSO's to improve their performance management systems in order to increase their competitiveness. In some cases this was successful, in others it was not, and many of the DLO's/DSO's lost contracts to the private sector with a subsequent loss of jobs.

Between 1988 and 1996 there was continuing criticism of the efficiency and effectiveness of local authorities by subsequent Governments; and in 1997 with the election of New Labour into power, Best Value, which was to be a replacement for CCT was brought into effect. (Best Value is a framework through which local authorities have to demonstrate their efficiency and effectiveness through

submitting annual returns to the Scottish Office. These annual returns are auditable by the Accounts Commission for Scotland.)

Performance Management (The Case Study)

A review of the history of performance initiatives in local authority DLO's/DSO's has shown that these have had only limited success. This, therefore, prompts the question "What needs to be put into place to make a performance management regime achieve its objectives and be a success? Figure 2, Chapter 2 would suggest that there need to be support mechanisms to ensure that the performance management system (Bevan and Thomson, 1991):

- communicates the vision of the organisation's objectives to its employees,
- sets departmental/service and individual targets which relate to these objectives,
- conducts a formal review of progress towards these objectives,
- uses the review process to identify training, development and reward outcomes, and
- evaluates the effectiveness of the whole process in order to improve effectiveness.

With regard to the first of these support mechanisms, it was described in Chapter 1 how in 1996 the Council published its aims and values of:

- Openness and Accountability (Communication and Transparency).
- Participation and Involvement (Partnership and Team Working).
- Quality and Equality (Performance Management).
- Devolved Decision Making (Empowerment).

- Learning and Development (A Learning Organisation).

It was also described how each of the DLO's/DSO's in the Competitive and Technical Strategy Sector drew up business plans during 1996 to support the Council's Aims and Values. These plans covered all the key issues in the business planning process and made reference to the measurement of performance in order to embrace the need for economy, efficiency and effectiveness of service provision ie the second support mechanism listed above.

The implementation of the balanced scorecard using six headings for the range of measures - Financial, Workload, Human Resources, Vehicles, Quality and Supplementary Factors - was used to monitor performance and provide a review process to formally assess progress towards service objectives, ie the third support mechanism listed above. These performance factors were also used to help identify training and development outcomes as well as being used to facilitate reward systems, ie the fourth support mechanism listed above. Finally, the effectiveness of the whole process can be evaluated by using the resultant aggregated performance measures to improve overall effectiveness, ie the fifth support mechanism listed above.

Review Of The Literature

A review of the literature has shown how there was a need to consider the implementation of a wide range of performance measures (Eccles, 1991; Kaplan and Norton, 1991; Geanuraces and Meiklejohn, 1993; Campie, 1993; Thor, 1994; Creelman, 1996) and that these should be both financial and non-financial measures (Price Waterhouse, 1996). The fact that local authorities historically relied on one measure, ie a budget/expenditure, was shown to be inadequate for the longer-term well being of the organisation. As described by some observers (Shapiro, Eccles and Soske, 1993), a major weakness of financial indicators is that they capture the impact of decisions only with a significant time lag. As a result, they tend to be less proactive indicators of potential problems than operational (non-financial) indicators. It is further suggested that many articles following the Total Quality Management (TQM) movement emphasised the need to complement financial indicators with non-financial indicators. Several of these

articles go a stage further and recommend reducing the focus on financial indicators, which are said to encourage managers to make decisions that were not in the best interests of the organisation. However, financial and non-financial indicators should not be viewed as substitutes or mutually exclusive. While financial measures tend to be lagging indicators of performance (they tend to capture the impact of decisions only when their financial consequences materialise, which can be long after the decision was made) they do, however, have an important benefit. They represent the impact of decisions in a comparable measurement unit, ie money, which allows aggregation of results across units (Shapiro, Eccles and Soske, 1993).

This aspect of lagging indicators can be further described in terms of management control. For example, it is argued (Simon, 1993) that it is helpful to distinguish two basic ways of using performance measures, ie diagnostically or interactively. At one end of the continuum is diagnostic control also known as management by exception. Indicators tracked on a diagnostic basis are followed regularly but do not trigger specific action or discussion as long as they remain within present limits (In-Control, Out-of-Control processes, Chapter 2 refers). At the other extreme is interactive control which is characterised by following three dimensions: the process demands frequent and regular attention from operating managers at all levels of the organisation, data are interpreted in face-to-face meetings of supervisors, subordinates and peers, and the process relies on the continual challenge and debate of underlying data, assumptions and action plans. Interactive control is not limited to unfavourable variances, it is systematic and discussed.

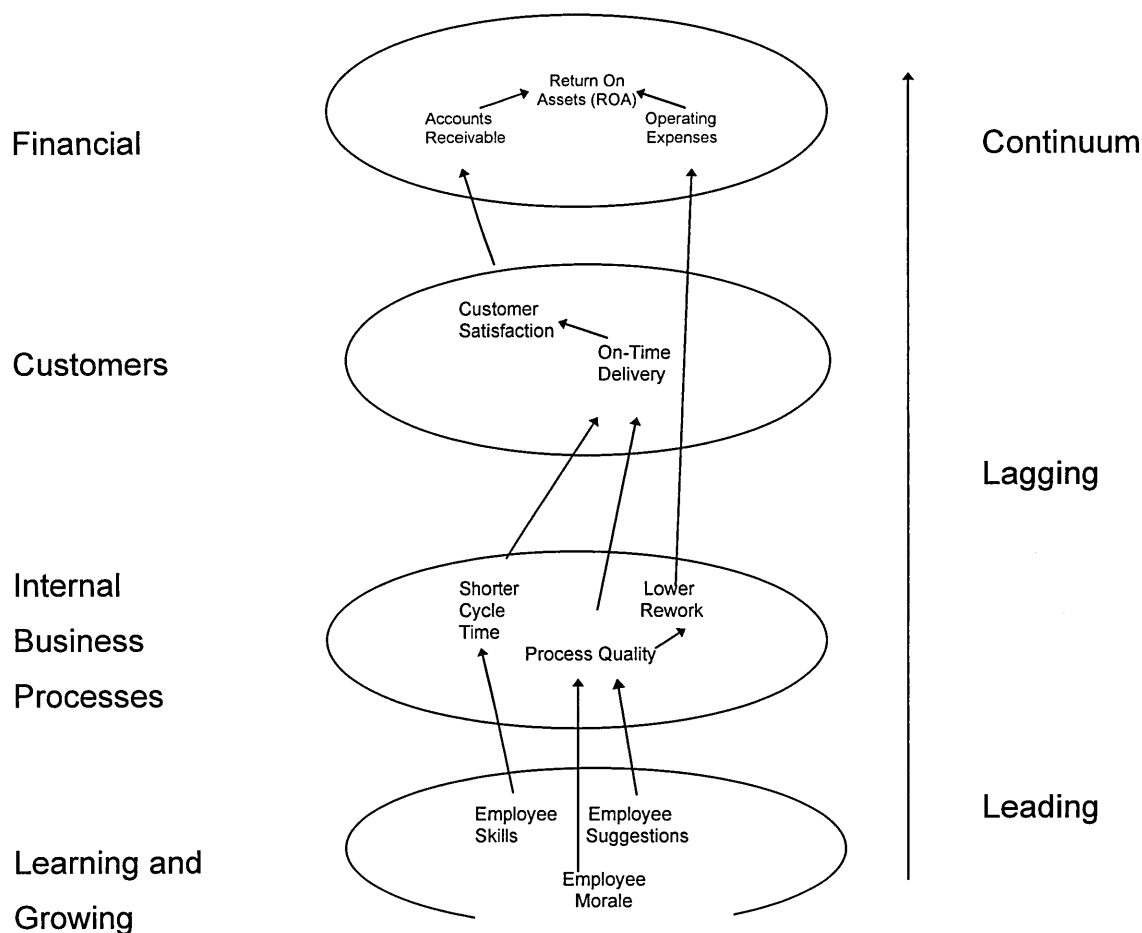


Figure 12 - Organising Performance Indicators in a Causal Chain

Source: adapted from Kaplan, R S and Norton, D P, "Using the Balanced Scorecard as a Strategic Management System". Harvard Business Review (January- February 1996).

The literature has also shown, however, that there are concerns with the assumption that private sector techniques, such as the balanced scorecard, can be readily be transferred into public sector organisations. Some observers, for example (Boland and Fowler, 2000) argue that although public sector management shares much in common with and is significantly influenced by the private sector, in many respects performance management in the public sector is relatively more complicated due to the absence of any overriding goal which in the private sector is the motivation to make profits. On the other hand, others (Dorsch and Yasin, 1998; and, Holloway, Francis and Hinton, 1999) argue that although public sector organisations typically face unique operational concerns and a

strategic environment that differs from the private sector, public sector organisational goals and objectives are no different and therefore the approach for attaining them should be no different. In terms of what is referred to as the '*new public management*' (OECD, 1993) the perception is that performance is a broad concept and has various meanings for different audiences in different contexts (Carter, 1991). This makes the design of performance indicators (PI's) in both the private and public sectors very difficult. Besides the operational problems of organisationalising an abstract concept, the same set of PI's may need to be used to answer questions about different dimensions of performance. Whereas, performance in the private sector is in general seen as something normal (the assumption being that the private sector is imbued with a performance culture), conventional wisdom suggests that there are special characteristics in the public sector which make performance management inappropriate or at least very difficult (Carter, 1991). These special characteristics include the complex relationships between managers/elected members (Wilson and Game, 1994; Broussine, 2000) pages 68-70 refer.

The research has also shown how initially, there were some 28 performance indicators introduced under six separate headings in each of the DLO's/DSO's. The main reason for the large number of indicators was that it was difficult to ascertain which of the indicators would be most important to each DLO/DSO in the early stages. It was anticipated that the total number of indicators would decrease as managers identified which of the indicators were critical for their particular service and that reporting by exception, ie where a performance measure went outside the control parameters set to take account of "normal" variations, became the norm (Simon, 1994 and 1995).

The importance of reporting by exception was also illustrated when the DLO's/DSO's reported to the Commercial Services Management Committee. Initially all nine DLO/DSO managers reported on every single measure which only succeeded in congesting the agenda and dominating the discussion at meetings. As a consequence, Officer/member groups were established to discuss and consider the various measures before they were submitted to the Committee. These groups helped to improve the relationship between elected members and

managers and also helped increase their understanding of variations and those indicators which were leading indicators and those which were lagging.

It is interesting to note one experienced observer's view on this. In a case study of Mobil Corporation's US Marketing and Refining Division 1995, cited in Dutta and Manzoni (1999) Bob McCool, Executive Vice-President stated *"we were still in a controller's mentality, reviewing the past, not guiding the future. The functional metrics did not communicate what we were about. I did not want metrics that reinforced our historic control mentality. I wanted them to be part of a communications process by which everyone in the organisation could understand and implement our strategy. We needed better metrics so that our planning process could be linked to actions, to encourage people to do things that the organisation was now committed to"*. McCool went on *"In 3-4 years we have come from an operation that was the worst in its peer group draining a half billion dollars a year, to a company that ranks #1 in its peer group and generates hundreds of millions of dollars of positive cash flow"*. McCool concluded *"The Balanced Scorecard has been a major contributor. It has helped us to focus our initiatives and to keep them aligned with our strategic objectives. It has been a great communication tool for telling the story of the business and a great learning tool as well. People now see how their daily job contributes to performance. Our challenge is how can we sustain this performance. We have just seen the tip of the iceberg. I want people to use the scorecard to focus attention on the great opportunities for growth"*.

The reference made by McCool to a *"controller's mentality"* is an interesting one in respect of this case study. This is because on several occasions during the research the issue of key appointments as a significant factor in the success of culture change programmes was cited (Eccles, 1994; Hope and Henry, 1995). The case study confirmed that the role played by the Corporate Manager of the Competitive and Technical Strategy Sector was also significant in driving home the performance management culture in the DLO's/ DSO's. Critics within the Sector, however, accused the Corporate Manager of being a *"control freak"*, (having a *"controller's mentality"*) who sat in the centre and monitored and compared (internal benchmarking) the performances of all nine Services both collectively and one against another. This power and control dimension has been

analysed from a Foucauldian perspective (Martin and Beaumont, 1997) where internal benchmarking in multi-national enterprises (MNE's) has been compared to the underlying analogy of the "*panoptic cage*" comprising surveillance, examination, normalising mechanisms (Boje, 1995). *The Panopticon was a circular prison building described by Jeremy Bentham, the characteristic of which was a centrally elevated watchtower around which radiated a number of cells illuminated from within. The consequence was that a single observer could watch all prisoners whilst remaining unseen.* This analogy points to power becoming embedded within the organisational system "*often beyond the reach of organisational members, power lies in the unconscious acceptance of values, traditions, cultures and structures of a given institution and it captures within it all organisational members in its web*" (Hardy, 1996).

The accuracy of this analogy to the performance regime within the Council's DLO's/DSO's, certainly initially, is uncanny. However, it is perhaps fortunate that the Corporate Manager's response to gaps in performance is one of treating these as indicators for improvement (panopticon prison for correction) rather than treating them as indicators for disciplinary action (panopticon prison for the condemned). Only time will tell if this attitude will change for any Service having continuing gaps in performance (persistent offenders) and action is taken. Fortunately, so far all Services have performed well (model prisoners) and disciplinary action has not been required!

Taking this analogy even further, the situation becomes more intriguing, not to say somewhat disconcerting, when analysing the Council as a whole. Is the structure of the Council shown in Figure 1, really an "*innovating and unique concept designed to support the Council's corporate aims and values*" (the Council's Chief Executive); or, are these aims and values merely window dressing, part of the "*cultural doping*" process (Willmott, 1993) and what Figure 1 actually depicts is a plan of the panopticon?

The evidence would seem to suggest that whilst the Corporate Manager could perhaps be justifiably accused of being a control freak in the initial stages of implementing the performance management regime and possibly exercised a little too much over-control, one thing he could not be accused of was a lack of

commitment to the initiative. This commitment from the top, as has already been shown, is critical for the successful implementation of such initiatives. It can, therefore, be concluded, that structure and appointments are indeed significant factors in the implementation of a performance management regime, but it is only the utilisation of the information provided by the performance management system that enables control to be exercised.

Cost/Benefit of Performance Information

From the case study it has been shown just how useful performance management systems are in delivering and controlling organisational performance (SR 98/1 and SR 98/2, Controller of Audit 1998). It has also been shown how using a wide range of performance measures provides a more holistic picture on which to base both short-term and long-term decisions (Kaplan and Norton, 1991; Thor, 1994). There is, however, a cost involved in providing information and, therefore, a continuing need to assess that cost in relation to the benefits of the information it provides. An example of this in the research was the information initially provided to the Commercial Management Committee which took up almost four hours of Committee discussions. The costs associated with the resources involved in generating the information and then the costs relating to committee members' time discussing it, far out-weighed the benefits to be derived. It was, therefore, decided to report only the key performance indicators and then only by exception, ie when variation from the norm was more than what would be expected from natural variation resulting from the random mixing together of a series of small influences. Another example, was the problem with information technology systems in the Council. As indicated by the DLO/DSO managers, there was a significant shortfall in IT systems to provide the performance information necessary to manage and control the organisation. The development of these systems took on a different dimension under a cost/budget criteria. Systems were developed for performance information, only when costs could be justified in relation to benefits provided. At this time within the Council a significant number of IT resources were being diverted into addressing the Year 2000 issues and an IT strategy group was established to determine other system priorities. Business proposals had to be completed and submitted to the strategy group outlining the benefits and implementation costs of any proposed new system. Invariably only systems considered to be essential were approved with those considered merely

desirable rejected. This discipline helped to reinforce the need to consider costs in relation to benefits throughout the period of the case study with management becoming reluctant to set up any system which could not be justified in cost/benefit terms.

Balanced Scorecard/EFQM

It was shown in the research how, using the balanced scorecard approach, six factors were selected against which performance would be measured ie Financial, Workload, Human Resources, Vehicle, Quality and Supplementary issues. It was also shown how these factors were used and developed throughout the research period in the Council's DLO's/DSO's. Yet the Council overall made a decision to pilot EFQM assessments and then to do a full assessment in 1999. This prompts the question Why? It also prompts two of the specific questions of the research, ie:

- What are the key feature of performance management systems in local authority? What should they look like?
- What is meant by organisational performance in a local authority context? How should this be organisationalised and measured?

The principal differences between EFQM and the balanced scorecard are that EFQM is a subjective assessment carried out by managers, using an established framework and scoring system, to assess the status of the organisation or department against the nine factors in the model, ie Leadership, Policy and Strategy, People, Partnership and Resources, Processes, Customer Results, People Results, Society Results and Key Performance Results; whereas, the balanced scorecard is based on mainly objective data which are generated from a variety of information systems operating within the organisation.

One of the main advantages of using the EFQM model is that the framework and assessment criteria are common to all organisations which use the model. Therefore, direct comparisons can be made by relating an assessment in one organisation with an assessment in another. This process can help identify organisations which are particularly good in certain areas and may make suitable

partners to benchmark against. The model has also the advantage of being able to be applied fairly quickly, ie after some relatively short training sessions on the application of the framework and by managers using their existing experience of the organisation to score the nine factors against the 1,000 points assessment criteria. The fact that the framework and assessment criteria are applied universally means that the impact of actions and decision can be monitored in a comparable measurement scale against internal and external benchmarked services which use the EFQM model. It was also shown how the results side of the model could be developed to provide a basis for a reward system and to establish league tables for organisations using the model.

The performances produced by the balanced scorecard, on the other hand, are not universally applicable as they require a wide-range of measures to be selected which are suitable for that particular service or organisation. Although many of the measures are relatively similar across all organisations, eg Return on Capital Employed (ROCE) a financial measure, definitions of other measures can vary considerably, eg Labour Turnover, as was shown in the case study.

Where both frameworks are used, as in the case of the Council's DLO's/DSO's, then the results of one framework can be used to verify the results of another. This is to say, that the early implementation of the performance management regime into the DLO's/DSO's from 1996 onwards manifested in the EFQM assessment in 1999, ie:

"The DLO's/DSO's have met their rates of return consistently over a number of years.

DLO's/DSO's are generally performing well against Key Performance Indicators (KPI's).

Performance against KPI's is communicated to employees in the DLO's/DSO's.

DLO's/DSO's involve employees in problem solving through FIT charter approach."

Perhaps the most significant finding of the EFQM assessment, and that which provides a third party validation is:

“The DLO’s/DSO’s have consistently achieved their financial targets and were found by the Accounts Commission to be soundly managed.”

This finding by the Accounts Commission that the Council’s DLO’s/DSO’s were “*soundly managed*” is in marked contrast to the Commission’s investigation of the Other Council, ie “*the Council certainly between 1996 and 1998, did not have in place a comprehensive performance management system for its staff If, however, a performance management system had been in place it could have helped to avoid or reduce some of the problems*”. In other words the Other Council was not “*soundly managed*”, and this provides further evidence of the importance of management information systems in managing organisational performance.

Other key statements from the EFQM assessment eg “*The DLO’s/DSO’s have met their rates of return over a number of years*”, help to address the research question, “What is meant by organisational performance in a local authority context?” As far as DLO’s/DSO’s are concerned that is: meeting their rates of return (statutory targets). It also goes some way to address the second part of the question “How should this be organisationalised and measured?” Meeting the statutory target (break-even) is the measure.

With regard to the other question, “What are the key features of performance management systems in local authority? What should they look like?” The EFQM assessment that the “*DLO’s/DSO’s are generally performing well against Key Performance Indicators (KPI’s)*” indicates the need for performance targets. Obviously one of these targets or KPI’s is the DLO’s/DSO’s statutory target. This is of course a Service objective for each DLO/DSO and the cumulative statutory target for all nine DLO’s/DSO’s an objective for the Competitive and Technical Strategy Sector. As has already been indicated, however, financial measures are lagging indicators and this applies to statutory targets. In order to sustain these statutory targets in the longer-term it is, therefore, critical to have other measures

to assist in the planning process. Hence the need for a wide range of measures to provide as comprehensive a picture as possible.

Another feature in addressing this question from the EFQM assessment was *“Performance against KPI’s is communicated to employees in the DLO’s/DSO’s”*. As was shown in the research it is important to find appropriate ways to convey performance information down through the organisation to aid empowerment and to relay to employees at all levels that their contribution can make a difference to organisational performance. The methods of displaying this information and the survey evidence from the employee questionnaire provided evidence of the importance of reinforcing the message that everyone is part of the same team and all have a role to play in producing a good team performance. It is absolutely critical, therefore, that everyone knows exactly what their position is in the team and what is expected of them. The role of employees as well as those of elected members, corporate management and management, in relation to the operation of the DLO’s/ DSO’s as a whole, must be spelt out.

The Hypotheses (First Part) - Discussion

With regard to the hypotheses in terms of the case study it is suggested (Yin, 1994a) that a robust fact may be considered to have been established if evidence from three or more different sources coincides. The strengths and weaknesses of six sources of evidence were described in Table 2 pages 87-88, and how these could converge to establish a fact shown in Figure 8 page 88. It was also shown in Table 3 that in order to test the quality of the research study there needs to be Construct Validity, Internal Validity, External Validity and Reliability. Therefore, in terms of the first part of the hypothesis that:

“The implementation of a performance management regime using a wide range of performance indicators into local authority direct labour organisations improves the monitoring, control and ultimate success of these organisations”.

Construct Validity included:

- multiple sources of evidence which consisted of: a vast array of documents shown in the various Appendices that illustrated broad coverage of the case study over a four year period; some historical records were used to describe

the background to the research and to set the scene; semi-structured interviews with the DLO/DSO managers focused directly on the key issues and provided insights into perceived causal inferences; there was direct observations and participant observations as a consequence of the researcher being actively involved in many of the key processes.

- chains of evidence were provided which consisted: the development of the performance management regime over time; the way in which performance information was utilised and acted upon; the dissemination of performance information down to employees.
- key informants have reviewed various parts of the case study report.

All of the above contributed to construct validity.

Internal Validity included: the implementation of the performance management regime compared against the facilitated assessment results from the application of the EFQM model; the resultant year on year surplus (1996-1999) from DLO/DSO activities; the evidence from a variety of sources which showed the progressive development and refinement of use of performance measures. All of this contributed to internal validity.

External Validity included: direct comparison with the performance of all other DLO's/DSO's in Scotland; direct comparison with the performance of the Other Council based on information provided by the Accounts Commission; considerable evidence from a variety of sources demonstrating clearly that the use of a wide range of performance measures is critical for the success of the DLO's/DSO's and more importantly in helping to sustain that success in the longer term. All of this contributed to external validity.

Reliability: the multiple sources of evidence described in the case study, provides conclusive evidence and proves the first part of the hypothesis that *"the implementation of a performance management regime using a wide range of performance indicators into local authority direct labour organisations improves the monitoring, control and ultimate success of these organisations"*.

Team Working and the Focus Improvement Team (FIT) Concept

Team working and the contribution that the Focus Improvement Team (FIT) concept had on the success of the DLO's/DSO's in the Council, and indeed the Council as a whole has been shown clearly in the case study. The FIT framework which was researched and designed to assist the key aim of the Council ie *"Team working through partnership between elected members, managers and staff will be the norm throughout the Council"* has had a significant impact throughout the organisation. Team working is not a new concept, however, and can happen naturally. The following is relevant to both team working and reorganisation:

"We trained hard – but it seemed that every time we were beginning to form up into teams, we would be reorganised. I was to learn later in life that we tend to meet any new situation by reorganising, and a wonderful method it can be for creating the illusion of progress while producing confusion, inefficiency and demoralisation". (Attributed to Gaius Petronious, circa AD60).

Team working in today's organisations is very much part of structural/organisational design and there are many examples of this:

- Carsten Dalsgaard, Partner AADK, Knowledge Management at Arthur Andersen, 1997 – *"One of the best things about Arthur Andersen is the "one firm" concept. Arthur Andersen is able to leverage its international expertise in an unrivalled manner. We are only able to do it because we work through teams – teams of all kinds across practice, across projects and across countries if necessary"* (ISEAD, 1997).
- Claude Joigneault, Logistics Director, Rank Xerox, France, 1993 – *"A critical factor for the success of the project was the creation of cross-functional teams to support the operation and look at all aspects : human, physical, organisational and systems. Members of the team were selected from all concerned functions : logistics, marketing, accounting and finance, information management and human resources management"* (ISEAD, 1996).

- Elaine Krammer, Vandelay Industries, Inc, 1996 - \$20 million project IT systems implementation – *“A project like this one requires a variety of skills. I think the most important are project management ability, SAP expertise, business and industry understanding, systems implementation experience and change leadership talent. We will need to field a joint client/consultant team with the right mix of skills at the right time”* (by the President and Fellows of Harvard College, 1996).

The above examples illustrate the importance of team working and, in particular, multi-functional team working in contributing to successful implementation. Many examples have also been cited within the research where the systematic and structured approach to team working and project planning provided by the FIT concept has helped to achieve successful implementation within the Council. The principal reason why the FIT concept was, and still is, so successful is that the framework it provides, helps to address the four main problem areas of team working, namely: problems with Goals; problems with Roles; problems with Procedures; and problems with Relationships (Irwin, Plovnick and Fry, 1995). In particular, emphasis is placed on the Roles and Relationships of the Sponsor, Owner and Facilitator of the FIT project because of the importance of these to the success of the project overall.

The Hypotheses (Second Part) - Discussion

With regard to the second element of the hypotheses, that *“the development and application of frameworks can assist with the implementation of such initiatives and contribute to their success”*, it was shown in Chapter 2 where team working fits into the programme of culture change (Du Gay, 1996) and how in conjunction with employee empowerment, participation and involvement it forms part of a set of new human resources management policies which are designed to change employee attitudes. This change in attitudes is expected to produce a new pattern of behaviour resulting in greater efficiency and job satisfaction. (Legge, 1995; Mabey and Salaman, 1995; Bate, 1996). In this research, as already indicated, many examples have been given on the application of the FIT Charter concept which show clearly changes in the behaviour of those involved in the Focus Improvement Teams. As one Project Owner put it *“I am having to come into work at 6.30 in the morning to free myself off from the 9.00 am to 5.00 pm humdrum of*

the office so I can do the work necessary to keep my project on track". Perhaps the most convincing statement of the changes and indeed value of FIT in respect of the hypotheses came from the Corporate Manager of the Competitive and Technical Strategy Sector who said "The FIT concept has helped standardise the approach to project management. It has also brought a transparency which was not evident with the traditional project terms of reference in that objectives and responsibilities were sometimes obscure or lost amongst the verbiage. With so many critical projects running in parallel across the organisation, the need to monitor and control these effectively is vital. FIT has provided the degree of control required and contributed significantly to the effectiveness of project management, not only in the DLO's/DSO's, but also in other parts of the Council where it has been applied". This statement would seem to endorse the research findings and prove the second element on the hypotheses that "the development and application of frameworks can assist with the implementation of such initiatives and contribute to their success".

Strengths And Weaknesses Of Case Study Research

The variety of evidence provided by the case study is undoubtedly a major strength of this research. The fact that much of the information has been gathered from so many diverse sources has added to that strength. It is appreciated, however, that there are potential weaknesses which can arise from the methodology used. These include aspects such as selectivity bias in respect of documentation and archival records used, and the potential for bias in reporting, reflecting the particular views of the author. These can, of course, be explained through the Subjectivists philosophy (Burrell, 1996) where the world is socially constructed and understood from the perspective of individuals, science is value laden and the researcher, as the observer, is part of the observation. Subjectivism is based on the belief that there is discrepancy between the objective of the study and the way the researcher delineates it (Guba and Lincoln, 1994).

In the same way, there was a potential for bias in respect of the semi-structured interviews with the DLO/DSO managers: in particular, bias due to poorly constructed questions, response bias, inaccuracies due to poor recall, and the interviewees giving what the interviewer wants to hear, ie reflexivity. This aspect of reflexivity can also be a potential problem with direct observations and

participant observations during the research process in that events can proceed differently because they are being observed. Bias can also result from the investigator's manipulation of events (Yin, 1994a).

In relation to these potential weaknesses, the Post-positivist's philosophy assumes the interviewer/observer is objective, but that they are inherently biased by culture and personal experiences. As a result, clinical objectivity and value free axiology is not possible (Trochim, 1999; Tashakkori and Teddie, 1998). All inquiry and research is value laden and consequently to some extent socially constructed (Guba and Lincoln, 1994). Post-positivists do believe, however, that some reasonably stable relationships exist among social phenomena and that causal links can be made in a probabilistic sense (Miles and Huberman, 1994). As with this case study, this enables themes and links to be generated from the interpretation of different aspects of the individuals world through the interview/observation process (Kvale, 1996).

Conclusions

In this case study every effort has been made to report on events as they occurred and to be as impartial and objective as possible in that reporting. Care has also been taken to ensure that the design of the questionnaires and the formulation of the questions used in the interviews were constructed in the knowledge of the potential for bias. It is accepted, however, that some bias will inevitably occur due to the researcher's own background and experience. Nevertheless, it is the contention of the researcher, as will be shown in the final chapter, that the case study has clearly demonstrated and proven the hypotheses, and that through the concept of triangulation, multiple sources of information have been brought together to establish robust facts and that these facts have fully addressed the research questions.

CHAPTER 6

CHAPTER 6 - CONCLUSIONS

Introduction

The general purpose of this research was to test the hypotheses that “the implementation of a performance management regime using a wide range of performance measures into local authority direct labour organisations improves the monitoring, control and ultimate success of these organisations”, and that “the development and application of frameworks can assist with the implementation of such initiatives and contribute to their success”.

The research was intended to address the broad question:

- How useful are performance management systems in delivering and controlling organisational performance?

and more specifically:

- What are the key features of performance management systems in local authorities? What should they look like?
- What is meant by organisational performance in local authority context? How should this be organisationalised and measured?
- What are the linkages and intervening variables between performance management systems on the one hand and organisational outcomes on the other hand?

Before testing the hypotheses and answering the questions, it is considered necessary to carry out an evaluation of the literature in relation to the research.

Evaluation of the Literature

The purpose of evaluating the literature is to answer the following questions:

How useful was the literature in relation to the research?

Are there elements missing in the literature to which the thesis makes a contribution?

In order to address these questions, it may be helpful to firstly make comment on the references at the end of the thesis. Although the list is extensive, it represents only a portion of the literature used during the research. This is perhaps hardly surprising as basic management techniques have been traced as far back as 3000 BC, when Sumerian priests in the city of Ur (Iraq) kept written records as a means of recording transactions (Daft, 1988). It has also been reported that Socrates, around 400 BC, defined management as “*a skill separate from technical knowledge and experience*” (Higgins, 1991). Similarly, in terms of team working and reorganisation, reference was made in Chapter 5 to Gaius Petronious, circa. 60 AD, who made reference to reorganising and team work. Over the intervening millennia, there has been a mountain of literature produced on these issues. However, in terms of the research, it has really only been over the last 100 years, with the emergence of scientific management (Taylor, 1911), and progression through the various management theories to contemporary management, Chapter 2 refers, that the literature had a significant bearing on the research.

In terms of how useful was the literature to the research? The answer would have to be, that it was absolutely vital. In particular, the literature relating to the various management theories which evolved throughout the last century, commencing with Taylorism; the more recent work done on performance management and the balanced scorecard (Kaplan and Norton, 1991, 1994 and 1996); the work done and publications produced by the Accounts Commission for Scotland; and the work done on case study research (Yin, 1994a and 1998). Above all, however, the publications produced by the practitioners in applying the theory was particularly useful. This perhaps reflects the fact that this was DBA research the overall aim of which is to make a significant contribution to the enhancement of professional practice in the business area (Association of Business Schools Guidelines, 1997).

In relation to the most recent literature (Dorsch and Yasin, 1998; Holloway, Francis and Hinton, 1999; and Boland and Fowler, 2000) this illustrates some of the difficulties in transferring private sector techniques into the public sector. Similarly, in terms of the evolving nature of local authority management the current literature (Corrigan, Hayes and Joyce, 1999; Broussine, 2000; and Brown, Ryan and Parker, 2000) shows how the managers' role has changed and that they are

under constant pressure to improve performance of their organisations. In addition, there is a need to discover management tools and methods to facilitate and accelerate organisational learning (Pedler and Aspinwall, 1996). These publications have helped to reinforce the research findings from this case study and illustrate the extent to which management practice throughout the public sector has evolved and developed over recent years.

With regard to the research findings it is considered that these have added to the literature in four main areas. The first area, is the application of a performance management regime using a wide range of performance measures into local authority DLO's/DSO's and the four phases of development in terms of Lies, Damned Lies and PI's, PI's, KPI's and DDI's. The second area, is the various measures of performance and the relative importance of each measure in terms of the balanced scorecard in local authority DLO's/DSO's. The third area, is the Focus Improvement Team (FIT) Charter concept as a framework for assisting with the implementation of the performance management regime, and the fact that the concept addressed the main problems of team working ie problems with goals, roles, relationships and procedures. The fourth area, is in relation to the implementation of the performance management regime as a successful strategic initiative, and the need to ensure that it is part of a range of initiatives all designed to take the organisation in a particular direction. It is considered that these research findings have not only contributed to the literature, but have also contributed to the enhancement of professional practice in the area of public sector performance management.

Testing the Hypotheses and Answering the Research Questions

In order to test the hypotheses and answer the research questions, the research was broken down into three separate, but clearly connected, research activities. Activity (1), related to the development of the performance management regime within the DLO's/DSO's of the Council; Activity (2), the development of quality assurance as a specific element within the performance management balanced scorecard, and Activity (3), the development of supplementary initiatives undertaken by the Council, which provided a much more holistic picture of the organisation and contributed to the research overall.

Performance Management Systems

In addressing the first of the research questions, "How useful are performance management systems in delivering and controlling organisational performance?" the research has shown that the key tasks of management can be described in functional terms as Planning, Organising and Co-ordinating, Controlling and Motivating (Lucey, 1982). It was also shown that when dealing with these functions, management is continually required to make decisions. Decision making involves choices between alternatives and is consequently present in all managerial activities. Making those choices involves risk as none of the outcomes can be known with certainty. The purpose of a performance management system, therefore, is to help the decision making process and to assist in the managerial functions of Planning, Organising and Co-ordinating, Controlling and Motivating.

The research has also shown how organisations today have become increasingly complex, as is the environment in which they must operate. Change is a constant and business leaders throughout the world have to manage that change in order to be successful. Local authorities are no different, and in 1996 as a result of local government reorganisation – an external trigger to change (Nutley, 1996) – the effective management of that change was critical. Indeed, as stated earlier (Urwin, 1992) *"As we head towards the year 2000, change will continue as a certainty for all local authorities. Some of the strategic issues that will continue to be high on the agenda for Council elected members and other leaders are likely to include:*

- *Vision/Strategy*
- *Higher customer expectations*
- *Improved leadership*
- *Competition*
- *The Citizen's Charter – performance indicators*
- *Development of Managers*
- *Effective achievement of objectives*
- *Personal effectiveness*

These issues and others will encourage leaders, chief executives and chief officers to look closer at how they manage performance. They will seek the best

management techniques available to secure their business objectives. For continuing success, these will need to be permanent features of organisation culture, and not the 'quick fix' solutions that are short lived and provide only short term benefits".

Managing performance is, therefore, a means of managing change. The research has shown that traditionally managing performance meant managing finance, ie local authorities historically relied on one measure (expenditure against budget). However, it has also been shown that today's management perceive financial measures alone as being inadequate for control (Eccles, 1991; Geanuracess and Meiklejohn, 1993). Some observers advocate that there must be a balanced family of measures, four to six, which together provide a comprehensive view of organisational results (Kaplan and Norton, 1991; Thor, 1994). These should include both financial and non-financial measures (Price Waterhouse, 1996). The reason for this is that financial measures capture the impact of decisions with a significant time lag and therefore tend to be less proactive indicators (Shapiro, Eccles and Sake, 1993). A balance needs to be struck among the types of measures used. Indeed, some observers argue that the emphasis should be placed on proactive measures, ie those which are more concerned about what is possible in the future than what has happened in the past - more about setting goals than measuring their achievement (Sneddon, 1991). This contrast is emphasised (Dutta and Manzoni, 1999) by Bob McCool of the Mobil Corporation, who makes reference to a controller's mentality by reviewing the past and not guiding the future. Metrics should not reinforced historic mentality but be part of the communications process so that everyone in the organisation can understand and implement strategy. This is also emphasised in the evolving nature of local authority management (Rashid, 1999) in which the CEO of the London Borough of Lambeth, Heather Rabbatts, suggests that it has become clear that the old ways of assessing performance on an ad hoc basis are no longer relevant. The new local government requires managers to adopt much more coherent and holistic approaches to their mixed economy of service provision.

Performance Measures and Strategy

Performance measures, as part of the communications process by which everyone in the organisation can understand and implement the organisation's

strategy, are a key factor in delivering and controlling organisational performance. It was shown in the research how the range of measures aligned with the strategy and objectives of the Council and how there were considerable advantages in these measures being used as a primary strategy development tool (Price Waterhouse, 1995). The Corporate Manager of the Competitive and Technical Strategy Sector used the implementation of the performance management regime precisely as a strategy development tool. He considered the goal-focused measurement system that this provided to be the best vehicle for institutionalising targeted changes in the management process and for galvanising management action. It is interesting to note just how significant the role played by the Corporate Manager was in the change programme, as indeed was the structure of the Council. Key appointments and the importance of roles to the strategy change programme were highlighted earlier (Hope and Hendry, 1995). Similarly with structure, some observers (Eccles, 1994) agree that structure and culture should not be seen as separate, discreet entities, and that changing structure is a more direct route to behavioural change. This research, would certainly seem to confirm the importance of roles and structure in strategy implementation, but it has also confirmed that these were merely two factors in a change programme which was much more complex. These change programmes can be more complex to implement in the public sector than in the private sector (Boland and Fowler, 2000) because public sector aims and objectives can be more complex than those in the private sector which are motivated by the desire to make profits.

Monitoring and Control

The results from the longitudinal survey have shown how the performance management regime was implemented in April 1996 and progressively developed and refined over a four year period to 1999. It was also shown that as the quality and comprehensiveness of performance measures improved, so the perception and understanding of those using the measures also improved. As a consequence, some of the real drivers of value (Eccles, 1991; Geanuracess and Meiklejohn, 1993) were identified. These drivers of value, as illustrated in the examples shown in Chapter 4, improved the monitoring and control of the DLO's/DSO's and included performance information on Workload (forward plans, capacity assessment, etc); Human Resources (turnover, sickness absence, etc); Vehicles (utilisation, replacement policies, etc); Quality (customer satisfaction,

rectification costs, etc); Supplementary Factors (initiatives, improvements, etc). Whilst these all contributed to the overall control of the organisation and its subsequent success, Financial Measures continued to be “critical for survival” (DLO/DSO managers).

Ultimate Success

Evidence of the improved monitoring and control provided by the performance management framework within the Council's DLO's/DSO's, and the contribution this made to their success, was provided by the results from the survey carried out by the Accounts Commission (SR 98/1 Controller of Audit 1998). These results, although qualified in terms of the context of the survey, showed that 50% of Councils in Scotland had one or more DLO/DSO with a deficit in financial year 1997/1998. In the Council, all of the DLO's/DSO's showed a surplus (the only aggregating authority to do so). The results also showed that the DLO which most frequently returned a deficit above £100K (9 out of 32 Councils) was Building Maintenance. In the Council, Building Maintenance showed a surplus of £1.665 million for the same period. Similarly with General Highways, the second DLO most prone to return a deficit above £100K (6 out of 32 Councils). In the Council, General Highways (Roads DLO) returned a surplus for the same period of £920K.

A similar picture emerged from the subsequent investigation carried out by the Accounts Commission (SR 98/2 Controller of Audit 1998) which examined the Council (referred to as the Other Council) with the largest DLO's/DSO's deficits in Scotland for 1997/1998. This again needs to be qualified in terms of the context of the investigation. However, a direct comparison of the Council (the 3rd largest in Scotland) against the Other Council (the 4th largest Council) showed that the Council returned a financial surplus of £4.87 million compared to a financial deficit in the Other Council of £4.172 million (Table 7).

The final observation made by the Controller of Audit in his report as a principal contributing factor to this deficit was that the Other Council “*certainly between 1996 and 1998, did not have in place a comprehensive performance management system. If, however, a performance management system had been in place it could have helped to avoid, or reduce, some of the problems.*”

From the Controller of Audit's findings on the importance of a comprehensive performance management system in managing DLO's/DSO's, the results of the research into the use of a balance of measures in the Council's DLO's/DSO's and the evidence provided from the review of the literature, it would appear that the answer to the first research question, "How useful are performance management systems in delivering and controlling organisational performance?", is that performance management systems are not only useful in delivering and controlling organisational performance, but absolutely vital! It should be added, that the most recent results published by the Controller of Audit (DLO/DSO Results - Year Ended 31 March 1999 - Unaudited) show that performance has improved significantly in the DLO's/DSO's, with 31 out of 32 Councils achieving their overall statutory target.

Key Features of Performance Management Systems

In addressing the research question, "What are the key features of performance management systems in local authorities? What should they look like?" the research has shown that there are a number of key features of performance management systems in local authorities. Perhaps the most important of these is commitment from the top. The elected members, the chief executive and the corporate management team must all be committed to the process or it will fail. Evidence of such a failure was described in respect of the introduction of PBR systems in local authority DLO's/DSO's which failed to meet their stated aims due to a lack of management commitment. In securing the required commitment, therefore, it is essential that those at the top are fully aware of their roles and what is expected of them.

Key Roles and Relationships

Figure 7, showed the relative positions of the elected members, corporate managers and citizens (users of the services) in respect of planning, performance measurement and feedback. The elected members have different responsibilities to users of services than they have to the DLO's/DSO's. In respect of the users of the service, ie the "customer", the elected members represent the users' interest with regard to the quality and quantity of the services provided. In the case study it was shown how in 1996 there were no customer surveys completed in the DLO's/DSO's, but by 1998 all were carrying out surveys which included feedback

from Councillor's Clinics (elected members' surgeries) on public opinion. Elected members also have responsibility for the overall objectives of the services (a client role) and in respect of the supervision and control of DLO/DSO operations. In the report (Controller of Audit, 1998) it was stated that "*councillors who are on DLO/DSO committees have in practice responsibilities not dissimilar to those of non-executive board members in companies*". They should "*bring an independent judgement to bear on issues of strategy, performance and standards of conduct*". The case study has shown that their function is two fold: to lead the organisation into the future by determining strategy, and to monitor and control its performance in the present.

With regard to the role of the Corporate Manager, it is to: promote understanding of the environment within which the DLO's/DSO's operate and how corporate policy decisions may affect their efficiency and effectiveness, an example of this in the case study was the implementation of a corporate complaints procedure with which all Services, including the DLO's/DSO's had to comply; ensure that particular roles and responsibilities are clarified and agreed, there were many examples provided in the case study through the FIT Charter approach where roles and responsibilities were assigned; manage complex relationships within the Council which involve the DLO's/DSO's, the structure shown in Figure 1 page 17 illustrates these, working with the political dimension (Broussine, 2000) also raises the issue of complex relationships; ensure that the aims and objectives of the Competitive and Strategy Sector are met; and review and improve the performance of the DLO's/DSO's at a corporate level.

The role of the Service Managers is to manage their particular Service and, from the case study, it was evident that they were required to: work at the boundaries of politics and management; identify priorities and allocate resources; interpret and implement Council policies in relation to their Service; develop and review policies in their Service; ensure an understanding throughout the Service of the environment within which their DLO/DSO is required to operate.

Terminology

In addition to understanding their respective roles in relation to the performance management system, it is also essential for those involved to understand the key

elements of what each performance measure represents in terms of content and how it should be used. From the case study it was shown that a Glossary of Terms had not been established prior to the implementation of the performance management system being introduced and it was almost 12 months before one was agreed and published. Had a glossary been available at the start of the process then it would have helped understanding and contributed to the production of more reliable performance information from the beginning.

Another key issue for those involved in the process was understanding variations in performance and the significance of the changes. Recognising the inevitability of variation and differentiating between what was acceptable ie an in-control process, and what was unacceptable, ie an out-of-control process that requires corrective action, was an important outcome from the case study (the development of Dashboard indicators was a consequence of this). The improved understanding of variation led to a better understanding of target setting and also helped to highlight the benefits of reporting by exception.

Reporting by Exception and Presentation of Information

Reporting by exception and the presentation of information were two key findings of the case study. It was shown how initially reports were submitted to the Commercial Services Committee which were some 140 pages long and took up 4 hours of committee time to discuss. Reporting by exception on only those indicators which had significant variation and the presentation of this information in different ways ie graphs, charts, histograms, pictographs, etc all helped to improve the process and increase understanding.

Training and Development

Throughout the case study the need to raise awareness and improve understanding of those involved in the performance management system was evident. Training and development would, therefore, seem to be critical to the success of the process. Indeed, it is interesting to note the comments from the most recent publication by the Accounts Commission (Accounts Commission, December 1999) which stated:

“there is a lack of experience and confidence among Councillors in understanding reports and questioning their content”.

the report goes on:

“the traditional “backwards looking” emphasis of many committee reports focusing on why something has happened – rather than a “forward-looking” management emphasis – here is what has happened and this is what we are going to do in the future”.

and the final point in the report:

“the perception among some managers that much information on the performance of DLO’s/DSO’s is commercially sensitive and should not be presented to Councillors”.

The above comments reinforce the findings of the case study, and clearly illustrate that a key feature of performance management systems is to raise awareness and understanding of everyone involved in the process through training and development. It also reflects the need for improved trust and better relationships between managers and elected members in order to avoid misunderstandings.

What Should Performance Management Systems Look Like?

Performance management systems should be the means by which the vision and objectives of the organisation are communicated to the employees (Bevan and Thomson, 1991). This is achieved by setting targets (SMART targets as referred to in Chapter 2, page 54) for services and individuals that relate to these objectives. The case study has shown how targets were set for a wide-range of measures for each of the DLO’s/DSO’s in the Council in order to meet their Service objectives. It was also shown how these targets were developed and refined over the four years covered by the research.

There must be a formal review process where progress towards these targets is reported, ie actual v’s planned. The case study has provided many examples of

methods of reporting and the key issues identified were: to report by exception, to report on the right measures, and to report in a format appropriate to those who are to receive the report. The case study also highlighted the need to continuously consider the cost of providing information against the benefits derived from the correct action taken as a result of having that information.

In addition, the review process should help identify training requirements, development issues and other aspects relating to the functioning of the organisation. Again, many examples have been provided in the case study where these have been identified and action taken, eg high levels of sickness absence in one DLO due to back strain where part of the solution was to provide training in Kinetic Handling to improve the situation.

There needs to be a formal evaluation of all aspects of the performance management system in order to improve its effectiveness. The case study has shown that the only thing which is certain in organisations today is change and, therefore, the need to constantly review the effectiveness of the performance management system in order to manage that change. It is also essential to ensure that it continues to fulfil its function, becomes an integral part of the organisation's communications system and facilitates learning throughout the organisation.

Organisational Performance

In addressing the research question, "What is meant by organisational performance in a local authority context? and how should it be organisationalised and measured?", the case study has shown that the principal measure of performance in local authority DLO's/DSO's is the statutory target. This is the measure which is used by the Scottish Office, the Accounts Commission and all other local authorities, to measure and compare one DLO/DSO against another. It is the financial year-end surplus/(deficit) derived from comparing the DLO's/DSO's income against expenditure (Appendix AF illustrates the year-end figures for the Council's DLO's/ DSO's for the three full financial years over which the research took place).

By comparing these returns against the statutory targets for each DLO/DSO, potential benchmarking partners can be identified. An illustration of this is the example cited in the case study in which the Other Council with the largest DLO/DSO deficit, that was shown to be not too dissimilar to the Council, could have identified the Council as a potential benchmarking partner in order to examine how it was able to return a £4 million plus surplus against a £4 million deficit they returned for the same financial year, and to compare and learn from what the Council did differently.

The case study also identified how the EFQM model could be used to establish an overall performance for the organisation by using the nine factor 1000 point assessment process. The use of such a model helps to establish quickly potential areas for improvement and can also be used to compare one organisation against another in order to identify potential benchmarking partners. Although using the model is a fairly crude method of assessing the status of an organisation, and completely subjective, it can nevertheless provide a good starting point for introducing those in the organisation to one form of performance assessment. It can also be developed, as shown in the case study, to provide a rewards payment structure and dashboard indicators (Appendices Y and Y₁ respectively).

Wide Range Of Performance Measures

Completing the Performance Jigsaw (see Figure 13 below) is the title of this thesis, the inference being that in order to see the full picture it is necessary to assemble all the pieces of the jigsaw together. As has been shown in the case study, traditionally income against expenditure was the measure which was used in local authority DLO's/DSO's. It has also been shown how the statutory target is still the criterion against which performance of the DLO's/DSO's are judged. However, in order to sustain a this statutory target in the long-term it is necessary to have a wide range of measurement criteria. This provides a much fuller picture of what is happening throughout the organisation to enable action to be taken to improve the efficiency, effectiveness and overall economy of the organisation as a whole. Perhaps the most succinct quote in support of using a wide-range/balanced scorecard of measures, came from Bob McCool, Executive Vice-President of the Mobil Corporation (Dutta and Manzoni, 1999) who said *"The balanced scorecard has helped us to focus our initiatives and to keep them*

aligned with our strategic objectives. It has been a great communication tool for telling the story of the business and a great learning tool as well". This is also reinforced for non-profit making organisations (Pedler and Aspinwall, 1996), where it is suggested that the challenge is to discover management tools and methods to facilitate and accelerate organisational learning, and for public funded organisations in the contract culture, and where there is competition for funding, imply a need to develop strategies to learn quickly (Pedler et al, 1997).

In the Council's DLO's/DSO's the six criteria used to measure performance included Financial, Workload, Human Resources, Vehicles and Equipment, Quality and Supplementary Factors. These provided a comprehensive picture of the whole operation and "told the story of the business". In the same way, the longitudinal study of the development of these measures clearly showed how the process became a great "learning tool" for everyone in the organisation. The benefits of using the balanced scorecard approach were, therefore, much wider than just providing: Financial Information (Income/Expenditure, Profit/Loss, etc); Workload Data (Planning v's Actual, Forecasts, etc); Human Resources Information (Turnover, Sickness Statistics, etc); Vehicles and Equipment Data (Utilisation, Costs, etc); Quality Information (Customer Complaints, Satisfaction Surveys, etc); Supplementary Factor Data (Ideas, Improvements, etc); on which to monitor and control the organisation. It also provided a comprehensive picture of the organisation which enabled everyone to better understand what was happening and to learn from the process.

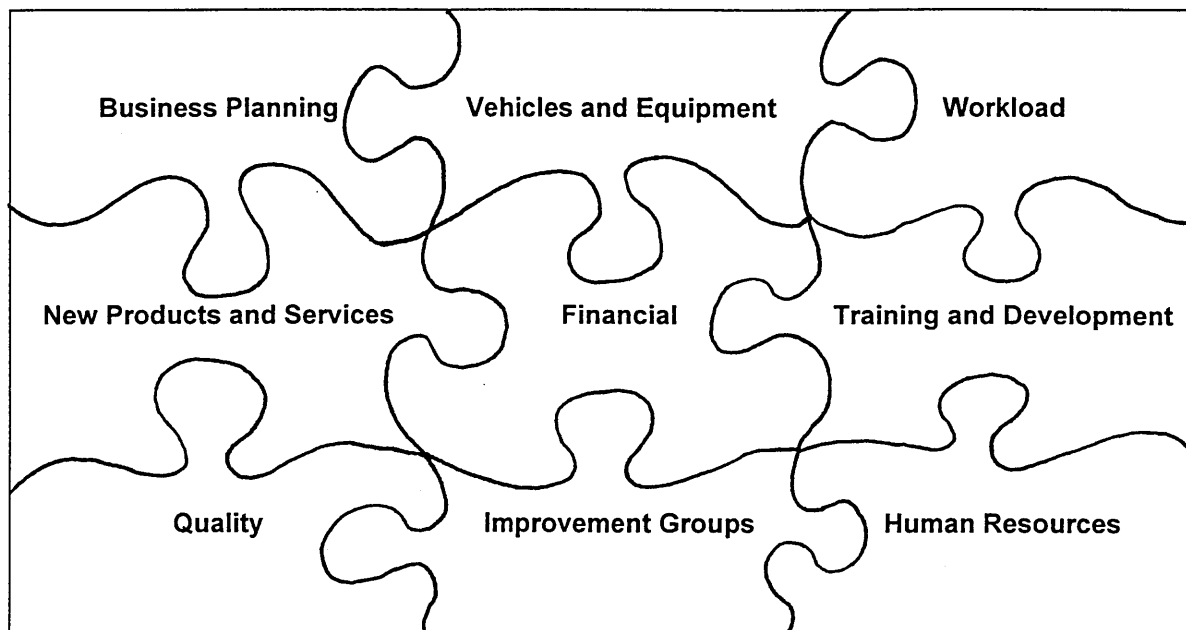


Figure 13 - The Council's DLO/DSO Performance Jigsaw (Details shown in Appendix W)

It should be noted that the Financial measure is shown as the centre piece of the jigsaw to emphasise its importance and to illustrate that all other measures link into it. The four measures shown as corner pieces (Business Planning, Workload, Human Resources and Quality) help to emphasise the importance of these over the other measures.

Organisationalising the Performance Measures

The case study has shown how the FIT Charter approach was used to implement the performance management regime into the Council's DLO's/DSO's. The FIT (Focus Improvement Team) included representatives from each of the DLO's/DSO's (a member of the Service's management team and the accountant responsible for the Service). These two individuals had the responsibility, along with others in the Service, to implement the initiative. This helped to establish "ownership" for the performance measures and for the performance management system as a whole.

The case study has also shown how elected member/officer groups were established to ease the time spent at the Commercial Services Management Committee on discussing performance. This helped to increase understanding of performance measures, of variation and the corrective action that needed to be taken. It also significantly improved the relationship between managers and

elected members and subsequently reduced the time required to discuss performance at Committee, as a consequence of reporting by exception.

To summarise, therefore, organisational performance in a local authority context should incorporate a wide range of measures, although it is recognised that the financial statutory target, ie the bottom line, is critical. The principal reason for having a wide range of measures is to enable management to have a more comprehensive vision of the organisation so they can sustain that bottom line in the longer-term. Another reason is that financial measures tend to be lagging measures and provide a picture of what has happened. Whereas, in order to be able to plan/forecast/project into the future it is necessary to have more leading measures of performance. These measures, in addition to providing a fuller picture of the organisation, also help to tell the full story and turn it into a learning organisation. It can be seen (Appendix AF) that the financial surplus for the Council's DLO's/DSO's was £3.36 million in 1996/1997, £5.27 million in 1997/1998 and £2.95 million in 1998/1999. A clear indication of the effectiveness of the performance management system and the contribution it has made to the bottom line.

Linkages and Intervening Variables

In addressing the research question "What are the linkages and intervening variables between performance management systems on one hand and organisational outcomes on the other hand?", the importance played by the FIT concept cannot be over emphasised. The concept, as has already been outlined, is a systematic and structured approach to team working and project planning. It consists of two documents the FIT Charter (terms of reference) and the Forward Plan (Gantt Chart). Each document can be contained on a single A4 sheet, which was one of the major benefits of using the concept and one of the main reasons it was so readily embraced by the elected members and senior management. FIT addresses the four main areas where teams experience problems, namely: problems with goals, problems with roles, problems with procedures, and problems with relationships (Irwin, Plovnick and Fry, 1995). The concept was used to implement the performance management regime and also used throughout the development period to drive various projects. Its value has been clearly demonstrated during the four years of the research, indeed, it has become

a service indicator in its own right in that the number of FIT projects operating at any one time in a Service is considered to be an indication of that Service's commitment to innovation and continuous improvement.

Changing the culture of the organisation was another key issue in implementing the performance management regime and, as described in Chapter 2, culture change and culture change programmes were originally associated with Conservative Government philosophy and policy of the 1980's early 90's (Du Gay, 1996). These programmes were in effect, programmes of culture reconstruction designed to constitute new identities for all levels of employees which are consistent with the overreaching '*vision and values*' of the organisation, ie the Council's aims and values. They focus on leadership as the engine for creating and changing culture. They employ remarkably similar vocabulary with terms such as '*team working*', '*employee empowerment*', '*participation and involvement*' and a set of new human resource management policies designed to change employee attitudes which would, in turn, produce a new pattern of employee role behaviour (Legge, 1995; Bate, 1996). Such traits were shown throughout the case study, and changes in manager's behaviour were particularly evident during the longitudinal survey. Indeed, it is argued that what the organisation really wants is behavioural change and that '*the winning of hearts and minds*' may not necessarily be critical for successful organisational change (Mabey and Salaman, 1995). The research has clearly shown that the implementation of the performance measures certainly achieved changes in behaviour.

An example of these changes in behaviour was perhaps most clearly demonstrated during the field experiment on sickness absence. It was described in the research how sickness absence was costing the Council approximately £15 million per annum, and that in order to address the problem an agreement between management and trade unions was signed in November 1997 to introduce the Bradford Formula/ Factor for a one-year pilot. The results of the pilot showed that the impact of introducing such measures was a reduction in self-certificated sickness of 56% (1159 days prior to the pilot - 510 days during pilot = 649 days reduction) a clear indication of a change in behaviour. In terms of the field experiment, the question which was asked was whether the implementation of a control measure (corrective action) would change behaviour and move the

Performance Indicator for sickness absence to the good? the answer would, therefore, appear to be Yes!.

Another issue addressed during the case study was that of disseminating information down through the organisation to employees. The presentation of that information was important and pictographs, pie charts and histograms were used to convey the data. The response to the questionnaires issued to employees to ascertain their views on the value of the information was most encouraging. This information continues to be made available to employees, but has been developed considerably since it was first introduced. This development is a result of discussions between management and the trade unions at the respective joint consultative committee meetings. Again the publication of this information has helped understanding and the learning process.

Finally, the research described how the EFQM model was used to provide an assessment of the performance of the Council overall and how the findings from the outcome of the FACE assessment confirmed and reinforced that the DLO's/DSO's were soundly managed. It was also shown how the Results side of the model could be developed to provide Aggregated Performance Measures and, by periodically assessing and comparing an organisation's Aggregated Performance Measures, it would be possible to monitor changes in performance. This could also be done for those organisations using the model, indeed the 2,000 organisations across the UK that are registered with the respective Quality Foundations that use the model could be compared, industry by industry, sector by sector, a kind of FT Index, but for organisational performance. The fact that the Aggregated Performance Measures are established from the EFQM model and, as the name implies, the model is used in organisations across Europe, then it should be possible to establish a similar index to compare performances for different industrial sectors in different countries. This index, referred to in the research as Universally Indexed Results, could be developed further to provide a reward structure for the organisation as a whole (Appendix Y).

From the figure in Appendix Y it can be seen how the points/payment relationship would operate. The points from the Aggregated Performance Measures (Results side of the EFQM model) would provide Universally Indexed Results which in turn

would directly relate to changes in basic salary/wage of everyone in the organisation (in the example given, a 2½ point increase would represent a 1% increase in pay). The advantages of such a system are: that it is transparent, in that the points/ payment relationship is there for all to see; it provides equity, in the sense that there is equal treatment for all, and it avoids the limitations of traditional reward systems such as manual worker incentive payment systems (Chapter 2 refers); it also provides goal congruity, ie everyone in the organisation is working towards the same objective, which is to improve the overall performance of the organisation.

Longitudinal Survey

Finally, the results from the longitudinal survey of DLO/DSO managers showed clearly the changes that took place between 1996 to 1999 in terms of performance management culture. The contrast between an initial attitude of *“we are only providing this information to keep elected members happy – it is really of no consequence”* in respect of reporting to the Commercial Services Management Committee, through to *“Providing performance information on its own is not enough, people have to know that the action they taken can make a difference”* in respect of disseminating performance indicators, is a clear indication of attitudinal change in the organisation. The results from the longitudinal survey would also seem to suggest that there were four main phases of development during the implementation of the performance management regime (Appendix AA).

Phase 1 - The Lies, Damned Lies and PI's phase. Where managers' perceptions were that the gathering and submitting of performance indicators (PI's) using a wide range of measures was purely cosmetic, ie *“to keep Elected Members happy”*, but of no real consequence. This phase also reflected the very early stages in the relationship between managers and the elected members and the need for managers to be able to work at the boundary of politics and management.

- Phase 2 - The PI's phase. Where performance indicators were becoming more reliable and were starting to be used to monitor and control the organisation. This phase reflected the developing relationship between managers and elected members in respect of maintaining trust and dealing with elected members expectations.
- Phase 3 - The KPI phase. Where performance measures and processes were being refined and reporting was done by exception on the basis of key performance indicators (KPI's) only. This phase also reflected the further development of managers/elected members' relationship, with managers facilitating elected members' understanding of the needs of the community.
- Phase 4 - The DDI phase. Further refinement to dashboard indicators where critical factors for the organisation can be viewed at a glance; and also distributed indicators (DI's), where KPI's are disseminated to all areas of the organisation, ie to all employees. This phase particularly reflected the continuing development of manager/elected member relationship in regard to strategy building and in balancing what is rational and what is political.

Although the longitudinal survey shows that the family of measures was implemented in all nine DLO's/DSO's fairly quickly, ie approximately three months, it also shows that the transition from Phase 1 to Phase 4 of development, ie to a full performance management culture, took approximately three years. An indication that this was a long-haul exercise and not a short-term fix (Urwin, 1992). The survey also showed that the introduction of the performance management regime increased monitoring and control.

From the results of the longitudinal survey, the findings of the field experiment, and the multiple sources of cumulative evidence from the implementation and development of the performance management regime in the Council's DLO's/DSO's it would appear that there is overwhelming proof for the first element of the hypotheses that "the implementation of a performance management regime

using a wide range of performance into local authority direct labour organisations improves the monitoring, control and ultimate success of these organisations”.

Similarly, the development and application of the FIT concept as a framework for implementing the performance management regime, and all the other initiatives which were, and still are, being implemented using the concept proves conclusively the second element of the hypotheses that “the development and application of frameworks can assist with the implementation of such initiatives and contribute to their success”.

With regard to these hypotheses it should be added, that hypothesis testing is always seen as provisional, in the sense that whilst doubt can be cast on, or even overturn a theory by disproving the hypothesis, a theory can never be verified as true by proving the hypothesis. All that can be done with a proven hypothesis is to say that the theory remains intact today (Giere, 1979).

CONCLUSION

The purpose of this research was to investigate the importance of introducing a range of performance measures, both financial and non-financial, as a means of improving managerial control and enhancing organisational performance in the public sector. The research has focused on a number of direct labour organisations/services (DLO's/DSO's) within the one Scottish local authority and included the investigation of performance measures in the areas of quality, innovation, productivity, employee co-operation, together with the more traditional measure of profitability (statutory target). Particular regard was paid to the public sector environment within which the research was carried out, and especially the managerial characteristics of that environment. The research findings, conducted over a four year period (1996-1999) are based on the results of several longitudinal surveys undertaken during that period.

The research also incorporated the results from a similar survey carried out by the Accounts Commission (SR 98/1, Controller of Audit 1998) into all local authority direct labour organisations/services in Scotland. This survey provided an overview of these organisations and examined specifically their management arrangements, financial position and how they monitored and controlled their

finances. The results from this survey were further supplemented by the findings of a subsequent survey by the Accounts Commission (SR 98/2, Controller of Audit 1998) which investigated in detail the local authority with the largest DLO financial deficit in Scotland. The outcomes of both these surveys, suitably qualified in terms of the way in which the survey information was gathered, were used to compare and contrast the outcomes of introducing a performance regime into the Council, using a wide-range of performance measure, and to illustrate the benefits of adopting such a strategy.

Finally, the research highlighted how certain frameworks were developed to assist with the implementation of the performance management regime, and how these contributed to the success of that implementation. The Focus Improvement Team (FIT) concept was the framework used to implement the regime and the wide range of performance measures which were used to successfully monitor and control the DLO's/DSO's. These measures, for illustrative purposes, were formed into a performance jigsaw. The analogy being that in order to see the whole performance picture it is necessary to assemble all the pieces of the jigsaw together. Indeed, it could be said that the Focus Improvement Team concept was used to FIT the pieces of the performance jigsaw together so as to provide a comprehensive picture of performance for the organisation as a whole. This performance picture helped to tell the story of the organisation by depicting elements of the past, present and potential future performance of the organisation and in doing so provided a basis for organisational learning.

In conclusion, therefore, this research, although based on a single case study, has been complex in terms of its required comprehensiveness and supplementary activities. These supplementary activities were considered important in order to place the implementation of the performance management regime in context with the other initiatives being undertaken in the Council. Indeed, it is considered critical to view the success of the performance management regime in that context. This is to say that the success of this initiative was due in part to it being one initiative within a whole range of initiatives, all designed to take the organisation in a particular direction. Indeed, it has been stated (Muir and Shaw, 1989) *"that probably the most inhibiting factor in getting any new technology or strategy into an organisation is human inertia in all its multifarious forms. It can*

vary from simple dumb resistance and heel dragging, to laziness, inefficiency and muddle, and it has very powerful breaking effects. However, even the most entrenched inertia can be rendered ineffective when the innovative forces have sufficient strength. No organisation, however sluggish, can hold out against a strategy which decides to take it by storm". It is the contention of the researcher, therefore, that the evidence provided from the case study should be considered in light of this strategic storm of other initiatives. It is also his contention that the case study has proven the hypotheses, and that findings from the research have not only demonstrated originality but also contributed significantly to the enhancement of professional practice in the area of public sector performance management.

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APPENDICES

RESEARCH AND DEVELOPMENT

ACTIVITY (1)	YEAR	ACTIVITY (2)	DEVELOPMENT
1995			
	January		
	February		
	March		
	April		
	May		
	June		
	July		
	August		
	September		
Creation of FIT Concept, Literature Review-Research	October		
	November		
	December		
1996			
	January		
KPI FIT Charter	February		
Initial Survey of Services	March		
Environmental Sensing Grampian Position Statement	April		
Report to Comm. Services Management Committee	May		
Revised FIT Charter	June		'TOP' Models
First Structured Interviews with Managers	July		
KPI Updated FIT Charter	August	QA FIT Charter	
	September		
Glossary of Terms FIT Charter	October	Position Statement C&TSS	
	November	Development of QA	
List (Forward Plan) Reporting Period	December		
1997			
	January	QA Appreciation Talks (For Employees) Ongoing	EFQM
Joint Report to C Svcs Mgt Cttee, Finance, C&TSS	February		
Member Officer Working Group	March		
Glossary of Terms	April		
	May	QA Sector Register Published	Best Value Regime Sec of State
Second Structured Interviews on Balanced Scorecard with all Managers	June		Scottish Office Info Directorate
Application of Bradford Formula	July		'BEST' Ideas, Input/Output
	August		Dashboard Indicators
	September		Payment Structures
Bradford Formula Agreement (Pilot)	October		APM/UIR
	November	QA Appreciation Talks (H of S & Elected Members)	'TOPP' Norway
	December	Report on Internal/External Audit	Quality Scotland, EFQM Survey
1998			
	January		Evaluation of "BEST" Ideas
Performance Indicators for Employees FIT Charter	February	QA Documentation Standards (Published)	DBA Presentation
Core Indicators (All Services)	March	FIT Team - Quality Forum	Derby University
	April	Customer surveys being initiated	EFQM Survey
Report to Comm. Services Management Committee	May		'Best Value' Team
	June		
	July	Corporate Complaints Procedure	EFQM Pilot Projects
Third Structured Interviews with all Managers	August	Service Standards Established	Best Value Submission Approved
Performance Indicators for Employees	September	QA Register for all of Council	Accts Comm DLO/DSO Report
Results of Employee Questionnaire	October		
	November		M Phil to DBA Transfer of Doc
Bradford Formula Results (Pilot)	December		
1999			
	January		
Evaluation of the Impact of Bradford Formula	February		Ext Auditor's Report on Best Value
Fourth Structured Interviews with all Managers	March	ISO 9001 - 2000 (New Standard)	
Data Analysis and Write Up	April		
	May		
	June		
	July		
Submission of Doctoral Thesis	August		
	September		
	October		
	November		
	December		
2000			

FIT Charter

Project Name and Purpose

To consider and develop, where appropriate, the Performance Indicators approved by the Commercial Services Management Committee for DLOs/DSOs, Property Services, Road Services and Supplies and Printing Services (see attached) and establish appropriate systems and procedures to generate the necessary performance information for Committee reporting.

Project Boundaries

Starting Point:- Consider the lists of Performance Indicators attached and identify the most appropriate means of generating the information required to establish those indicators. Consult and liaise with all interested parties to create and/or revise systems where the existing systems cannot provide the information required.

Ending Point:- Ensure that the systems are in place for each service to provide the Performance Indicators listed.

Project Sponsor: David Brown, Corporate Manager, Competitive & Technical Strategy Sector.

Responsibilities:

1. Provide Project Owner with required resources.
2. Agree upon check points and monitor team progress.
3. Develop and encourage support for the project at all levels within the organisation.
4. Liaise with the Chairman and members of the Commercial Services Management Committee.

Project Sponsor Expectations (i.e. targets, constraints, budgets, milestones, team members' time commitments):

Phase I: Team to meet at the beginning of July to consider how best to generate the indicators required.

Phase II: Team to meet at the end of July to discuss which indicators can be provided from the existing systems and which require the development/creation of new systems.

Phase III: Team to conclude indicators for the period April to June 1996 by 16th August in preparation for submission to the Commercial Services Committee meeting on 27th August.

Project Owner: Sandy Dewar, Financial Team Leader, Competitive & Technical Strategy Sector.

Responsibilities:

1. Lead team ensuring targets are met.
2. Regularly update Sponsor on team progress.
3. Communicate and co-ordinate team's work with key personnel not on the team.

Representation From:

	<u>Service Representative:</u>	<u>Team Members:</u>
Building Operations	Fred Lever	<u>Accountants</u>
Roads DLO	Brian Thomson)	Alex Maguire
Roads	Irvine Wilson)	Clarq Neville
Domestic Services	Neil McLean)	"
Supplies & Printing	Ian Bell)	Gareth Davies
Property Services	John Hunter)	"
Grounds Maintenance	Ruth Nelson)	Alex Pearson
Waste Management	David Hendry)	"
Transport	Rob McLachlan)	Tom Robertson
Human Resources	Trevor Jones	"

Responsibilities:

1. Attend meetings.
2. Provide professional input to the project and advise on current practice.
3. Fully participate and contribute to the working of the team.

Facilitator: Andrew Muir - Management Services.

Responsibilities:

1. Plan meetings with Project Owner.
2. Attend all meetings.
3. Provide advice and guidance on planning and control.
4. Provide advice and guidance on problem solving and diagnostic techniques.

COMPETITIVE AND TECHNICAL STRATEGY SECTOR IMPLEMENTATION OF KEY PERFORMANCE INDICATORS (KPI'S) FORWARD PLAN

[illegible]Critical Date Public Holidays

APPENDIX B₁

Ref:

COMPETITIVE & TECHNICAL STRATEGY SECTOR
PERFORMANCE INDICATORS AND REPORTING ARRANGEMENTS
PRESENT POSITION STATEMENT

SERVICE FUNCTION:- *ROADS DLO*

LOCAL GOVERNMENT ACT 1992
Publication of Information
(Standards of Performance) Direction 1995
CITIZENS' CHARTER GUIDE 1994/95

No criteria stated.

COMMITTEE REPORTS

Tender/Quotations
(ROADS)

- *Report detailing the success rate of tendering for contracts (Competitive & Non-Competitive).*

Work In Progress
(ROADS)

- *Report on Construction Projects (Price and Percentage Completed). Also other work.*

Details of number of Manual and Craft Operatives employed during the period.

MANAGEMENT REPORTS

As above.

Proposed: *Labour Cost Analysis.*
 Quality of Work.
 Financial & Commercial Performance.

Proposed Performance Indicators/Measures for all DSOs/DLOs

<u>Areas</u>	<u>Key Indicators/Measures</u>
1. Financial	Income - Plan Vs Actual Expenditure - Plan Vs Actual Profit/Loss Cost per Attendance Hour Profit per Attendance Hour Management Cost per Attendance Hour Central Support Services Costs per Attendance Hour NB. All of the above will be by category/contract/area as appropriate.
2. Work Load	Plan Vs Actual to Date Forward Work Plan for next 1/4, 2/4, 3/4 of year Forward Work Plan with staffing superimposed.
3. Human Resources	Number of Employees and Categories (Including Trainees and Apprentices) Ratio: $\frac{\text{Direct Operatives}}{\text{Indirects}}$ Ratio: $\frac{\text{Target Attendance Hours}}{\text{Actual Attendance Hours}}$ (Direct Operatives) Ratio: $\frac{\text{Target Attendance Hours}}{\text{Actual Attendance Hours}}$ (Indirect Operatives) Turnover) Sickness) Statistics No. of Accidents (Days lost) Training/Development (Planned Vs Actual)
4. Vehicles	Vehicles per operative - Numbers - Cost
5. Quality	Customer Complaints Customer Satisfaction Surveys Workmanship - Inspections and Checks Response Times
6. Supplementary Factors	Significant Improvements/Changes FIT (Focus Improvement Team) Initiatives Ideas Submitted/Implemented Status of Business Planning Process (Actual Vs Plan)

Proposed Performance Indicators/Measures for all DSOs/DLOs

Status as at 23/7/96

- ✓ Can provide for first quarter
 ○ Can provide partial information (qualify)
 ✕ Cannot provide information

Key Indicators/Measures

		<div> <div>Roads DLO</div> <div>Transport</div> <div>Domestic Services</div> <div>Cleansing & Waste</div> <div>Grounds Maintenance</div> <div>Building Ops.</div> </div>					
<u>Financial</u>	Income - Plan Vs Actual	✓	✓	✓	○	✓	○
	Expenditure - Plan Vs Actual	✓	✓	✓	○	✓	○
	Profit/Loss	✓	✓	✓	○	✓	○
	Cost per Attendance Hour	✓	○	○	○	✓	○
	Profit per Attendance Hour	✓	○	○	○	✓	○
	Management Cost per Attendance Hour	✓	○	○	○	✓	○
	Central Support Services Costs per Attendance Hour	✕	✕	✕	✕	✕	✕
<u>NB.</u> All of the above will be by category/contract/area as appropriate							
<u>Workload</u>	Plan Vs Actual to Date	○	✓	✓	✓	✓	○
	Forward Work Plan for next 1/4, 2/4, 3/4 of year	○	✓	✓	✓	○	○
	Forward Work Plan with staffing superimposed	○	✓	✓	✓	○	○
<u>Human Resources</u>	No. of Employees & Categories (inc. Trainees & Apprentices)						
	Ratio: $\frac{\text{Direct Operatives}}{\text{Indirects}}$	✓	✓	✓	✓	✓	✓
	Ratio: $\frac{\text{Target Attendance Hours}}{\text{Actual Attendance Hours}}$) Direct Operatives	✓	✓	✓	✓	✓	○
	Ratio: $\frac{\text{Target Attendance Hours}}{\text{Actual Attendance Hours}}$) Indirect Operatives	✓	✓	✓	✓	✓	○
	Turnover) Statistics	✓	✓	✓	✓	✓	✓
	Sickness) Statistics	✓	✓	✓	✓	✓	✓
	No. of Accidents (Days lost)	✕	✓	✓	✓	○	○
	Training/Development (Planned Vs Actual)	✓	✓	✓	✓	✓	✓
<u>Vehicles</u>	Vehicles per operative:- - Numbers	✓	✓	✓	✓	✓	✓
	- Cost	✓	✓	✓	✓	✓	✓
<u>Quality</u>	Customer Complaints	✓	✓	✓	○	○	○
	Customer Satisfaction Surveys	✕	✕	✕	✕	✕	○
	Workmanship - Inspections & Checks	✕	✓	✓	✓	✓	○
	Response Times	✕	✓	✕	✓	○	○
<u>Supplementary Factors</u>	Significant Improvements/Changes	✓	✓	✓	✓	✓	✓
	FIT (Focus Improvement Team) Initiatives	✓	✓	✓	✓	✓	✓
	Ideas Submitted/Implemented	✓	✓	✓	✓	✓	✓
	Status of Business Planning Process (Actual Vs Plan)	✓	✓	✕	✕	○	✕

Commercial and Technical Strategy Sector

Key Performance Indicators/Measures

SERVICE: Roads DLO

PERIOD: 1st April - 30th June 1996

DESCRIPTION	OUTCOME	COMMENT
Financial Income - Plan Vs Actual	£2m Plan Vs £1.8m Actual	See Note 1
Expenditure - Plan Vs Actual	£2.1m Plan Vs £2m Actual	See Note 1
Profit/Loss	Loss (£200,000)	See Note 2
Cost per Attendance Hour	£24.83	See Note 3
Profit per Attendance Hour	Loss £(4.44)	See Note 3
Management Cost per Attendance Hour	£1.9/hour	See Note 4
Central Support Services Costs per Attendance Hour	-	Not available
NB. All of the above will be by category/contract/area as appropriate	-	Overall performance presented
Workload Plan Vs Actual to Date	19% Vs 13.5%	See Note 5
Forward Work Plan for next 1/4, 2/4, 3/4 of year	-	See Note 6
Forward Work Plan with staffing superimposed	-	See Note 7
Human Resources No. of Employees & Categories (inc. Trainees & Apprentices)	Ratio $\frac{44.6}{1}$	See Note 8
Ratio: $\frac{\text{Direct Operatives}}{\text{Indirects}}$		
Ratio: $\frac{\text{Target Attendance Hours}}{\text{Actual Attendance Hours}}$) Direct Operatives	Ratio $\frac{0.953}{1}$	See Note 9
Ratio: $\frac{\text{Target Attendance Hours}}{\text{Actual Attendance Hours}}$) Indirect Operatives	Ratio $\frac{0.805}{1}$	See Note 9
Turnover) Statistics	No Leavers to 30.06.96	
Sickness) Statistics	8.19%	See Note 10
No. of Accidents (Days lost)	40 days lost	
Training/Development (Planned Vs Actual)		See Note 11
Vehicles Vehicles per operative:- - Numbers	1.5 / operative	See Note 12
- Cost	£1,676 / operative	See Note 12
Quality Customer Complaints	5 in number	See Note 13
Customer Satisfaction Surveys	-	See Note 13
Workmanship - Inspections & Checks	Cost of remedial works £33,100	See Note 13
Response Times	-	See Note 13
Supplementary Factors Significant Improvements/Changes	-	See Note 14
FIT (Focus Improvement Team) Initiatives	9	See Note 15
Ideas Submitted/Implemented	None	
Status of Business Planning Process (Actual Vs Plan)	-	See Note 17

COMPETITIVE & TECHNICAL SERVICES STRATEGY SECTOR
ROADS DLO SERVICE

Key Performance Indicators/Measures

Period: 1st April - 30th June 1996

Notes

Note 1: Income - Plan Vs Actual

Planned income has not been profiled in the past and proportioning budgeted turnover against time is not relevant for this service. This is because income is influenced to a large extent by winter weather. This income arises, mainly, in the last quarter whereas preparation costs are incurred in the first two quarters. The planned income is based on attained income for week 12 of financial year 1994/95 (because of COMIS development week 12 figures were not available for week 12 of year 1995/96). The figures, however, indicate the downturn in demand over the first quarter of this financial year and this is a direct result of the difficulties experienced by the Council in setting budgets. The contract for the Tay Premium Unit (TPU) is new and there are difficulties in showing income on the contract status report. It is likely, therefore, that income is higher than shown.

Note 2: Profit/Loss

The loss shown (£200,000) is the difference between income and expenditure as per the previous two items. The recovery accounts for overheads, labour and transport respectively are currently in deficit leading to an estimated loss of £350,000 for the first quarter.

Note 3: Cost per Attendance Hour

The cost used is the direct cost of jobs. No adjustment has been made for over/under recovery of overhead, labour and transport accounts. Attendance hours are the total hours costed minus holiday and sickness hours.

Note 4: Management cost per Attendance Hour

Management costs are defined as employee based. The cost includes all chief official, APT&C and indirect manual/craft but excludes 12 first line supervisory forepersons who are directly costed.

Note 5: Workload - Plan Vs Actual to date

It was planned to have obtained between 17% and 19% of annual workload by the end of the first quarter whereas only 13.5% has been achieved. This is based on income.

Note 6: Forward work plan for next quarter(s)

Individual programmes are prepared by each team. Detailed programmes are prepared for individual contracts and activities. These are prepared for all works currently on order but are not, as yet, in a consistent form suitable for reporting in this context. Programming extends to the end of the second quarter which for most items of work is as far as we would expect to be able to plan in any detail. The workload outlook for the 3rd and 4th quarters of the financial year is healthy now that the Council's budgets are being finalised. During the second quarter workload planning will be jointly developed with Roads Service. It is likely that the specified schemes contracts available will be considerably in excess of the workload requirement of the Roads DLO Service and therefore contractors will be used. The final quarter will likely be very busy as the Roads DLO Service balances specified scheme workload with winter maintenance activity.

Note 7: Forward work plan with staffing superimposed

It is not possible at this stage to produce a global programme with staffing superimposed. It is planned, however, that all present operatives and support staff will be required for the remainder of the financial year. Employees are as follows:-

Manager & Team Leaders	7
Technical Support	15
Admin & Clerical Support	13
Forepersons	15
Manual & Craft Operatives	171
Total	221

Note 8: Human Resources - Ratio of Direct Operatives to Indirect

The basis used is manual and craft employees including first line supervisors (forepersons). The ratio is high because most forepersons are costed directly to jobs. The ratio changes to 10.5 : 1 if 12 direct forepersons are transferred to indirect.

Note 9: Human Resources - Ratio of Target Attendance Hours to Actual Attendance Hours

The target attendance hours are Number of Employees x 39hrs x 12 weeks less actual holidays. The actual attendance hours are total hours costed, less actual holiday hours, less sickness hours.

Note 10: Sickness -The percentage is obtained by dividing the total sickness hours by the total attendance hours plus total sickness hours.

Note 11: Training/Development - Plan Vs Actual

It should be noted here that due to not yet having settled on an APPROVED CENTRE for the delivery of certain training that planning is not yet definitive. It IS planned however to have this clarified as soon as possible. We have contracted with Borders College for the WINTER MAINTENANCE stand alone unit. It is probable that it will be Aberdeenshire Council Training Centre for the SVQ in HIGHWAYS MAINTENANCE.

SCOTVEC award for stand alone unit for WINTER MAINTENANCE - 20 assessments carried out to date. It is planned to do a further 20 which will total 33% of our workforce by the end of 1996.

SCOTVEC qualification in HIGHWAYS MAINTENANCE levels 1 and 2. No progress as yet - see above. It is proposed that the requirements of the TPU contract be met as a priority. This will mean having successfully assessed 50% of this workforce. That is seven (7) operatives at level 1 and one (1) supervisor at level 2.

SVQ in Engineering Process Maintenance level 2 which was validated by ENTRA for the PLO's. Eleven were planned, nine (9) have been successfully assessed. Two (2) remain to be done - one of which is long term sick.

Work based assessors holding D32 award. Four (4) have been awarded. Six (6) remain to complete their portfolios - two of which are long term sick - one of which has self elected to withdraw - the remaining three await the assessment materials which shall come from the APPROVED CENTRE when settled as above. It is expected that these remaining candidates shall achieve within the next month or two.

NRSA certificate. Eleven (11) were planned, eleven (11) achieved.
LPG awareness. Seven(7) were planned, seven (7) achieved.

Note 12: Vehicles per Operative

The number of vehicles includes plant. It may be useful to show plant and vehicle unproductive hours as a percentage of total hours. For Roads DLO Service this was 20 percent in the period. This corresponds to the low demand for work in the first quarter.

Note 13: Quality

Five individual written complaints have been received from Roads Service staff. Four related to delays in completion of works and one to employee attitude. All these complaints have been dealt with.

Complaints/Non Conformances relating to activities registered under ISO 9002 for Quality Management Systems. These have totalled Five (5) which are attributed to error in manufacture.

Customer dissatisfaction with Roads maintenance has resulted in Roads Service introducing a review of supervision methods and improved formal monitoring procedures of contractors and the Roads DLO. The intention is to ensure that the standards and specifications are satisfactorily met. Formal assessments will be reported to the Council. These assessment reports may be used as a customer satisfaction performance indicator.

Inspections on workmanship are carried out by Roads DLO Service staff but, as yet, these are not gathered in a statistical format. The Roads Service checks our work for adherence to specification and standards. Both forms of inspections result in remedial work requirements which cost the Roads DLO Service £33,100 in the period.

Information on response times is not readily available at this time but for certain operations it will be possible, in conjunction with Roads Service, to produce these in the future. Aspects of work which may be covered include response to lighting defects and jobbing works orders.

Note 14: Significant improvements/changes

The location of administrative and clerical teams was planned during this period (to take place early in the next period) to improve effectiveness and give flexibility.

Note 15: Focused Improvement Team (FIT) initiatives

There has been participation in sector FIT initiatives on performance indicators, harmonisation of conditions, depots rationalisation (lead by Roads DLO Service) and contract packaging.

Road DLO Service FIT initiatives were planned and commenced on vehicle/plant replacements and utilisation; harmonisation of computer software and review of proforma; winter maintenance planning (in conjunction with Roads Service) and contract packaging from the Roads DLO perspective. A FIT initiative on the review of training was planned but not commenced.

Note 17: Business planning - Actual Vs Plan

PERFORMANCE INDICATORS
SEMI-STRUCTURED QUESTIONNIARE
MANAGERS - COMPETITIVE AND TECHNICAL STRATEGY SECTOR

NAME: DESIGNATION:

SERVICE:

PURPOSE OF SERVICE:

TURNOVER:

NUMBER OF EMPLOYEES: APT&C MANUAL

	Yes	No
DO YOU USE PERFORMANCE MEASURES?	<input type="checkbox"/>	<input type="checkbox"/>

IF YOU DO NOT INDICATE WHY:

.....

.....

.....

IF YOU USE PERFORMANCE MEASURES WHICH OF THE FOLLOWING DO YOU USE AND HOW FREQUENT ((W)EEKLY; (M)ONTHLY; (A)NNUALLY; etc).

1 <u>Financial:</u>	Use	Freq
Income - Plan vs Actual	:	
Expenditure - Plan vs Actual	:	
Profil/Loss	:	
Cost per Attendance Hour	:	
Profit per Attendance Hour	:	
Management Cost per Attendance Hour	:	
Central Support Costs per Attendance Hour	:	
Others - please state:		
.....		
.....		

Do you use financial measures on a Service, Area, Locality or Depot basis?

S	A	L	D	Other (State)
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
			
			

Other comments/observations on financial measures:

.....
.....
.....
.....
.....
.....

Do you use the above measures for the following:

Historical Comparison - state how/why
.....

Trend Analyses - state how/why
.....

Forecasting/Future Projections - state how/why
.....

Other uses (eg Performance Related Pay)
.....
.....

How important do you feel the above measures are for the monitoring, controlling and managing your Service?

Very Important	Important	Neither/Nor	Not Important
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

How important do you feel the above measures are for:

Indicating and helping to motivate staff at all levels in the Service by disseminating the outcomes (Performance Measures) throughout the Service:

Very Important	Important	Neither/Nor	Not Important
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

2	<u>Workload</u>	Use	Freq
	Plan vs Actual to date	:	
	Forward Work Plan for Next Year	:	
	Forward Work Plan Med Long Term	:	
	Others - please state

Do you use workload measures on a Service, Area, Locality, or Depot basis?

S	A	L	D	Others (state)
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

Other comments/observations on workload
.....
.....
.....
.....

Do you use the above measures for the following:
Historical Comparison - state how/why
.....

Other uses (eg Capacity Planning)
.....

How important do you feel the above measures are for monitoring, controlling and managing your Service?

Very Important	Important	Neither/Nor	Not Important
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

How important do you feel the above measures are for:

Reporting to Senior Management and Elected Members:

Very Important	Important	Neither/Nor	Not Important
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

Helping to keep staff at all levels informed:

Very Important	Important	Neither/Nor	Not Important
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

3 Human Resources

Use Freq

Number of Employees and Categories
Ratio: Direct Operatives
 Indirects

Ratio: Target Attendance Hours
 Actual Attendance Hours

- Turnover Statistics
- Sickness Statistics
- Number of Accidents (Days lost)
- Type of Accidents
- Training/Development (Plan vs Actual)
- Others - please state

Do you use the above measures on a Service, Area, Locality or Depot basis?

S	A	L	D	Other (State)
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
			
			

Other comments/observations on Human Resource Measures
.....
.....
.....

Do you use the above measures for the following:

Historical Comparison - state how/why
.....

Forecasting/Future Projections - state how/why
.....

Other uses (eg Manpower Planning)
.....

How important do you feel the above measures are for monitoring, controlling and managing your Service?

Very Important	Important	Neither/Nor	Not Important
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

How important do you feel the above measures are for:

Reporting to Senior Management and Elected Members:

Very Important	Important	Neither/Nor	Not Important
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Helping to keep staff at all levels informed:

Very Important	Important	Neither/Nor	Not Important
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

4 Vehicles and Equipment

Use Freq

- Vehicles - numbers/type
- Vehicles - utilisation
- Equipment - numbers/type
- Equipment - utilisation
- Others - please state

Do you use the above measures on a Service, Area, Locality or Depot basis?

S	A	L	D	Other (State)
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
			
			

Other comments/observations on vehicles and equipment:
.....
.....
.....

Do you use the above measures for the following:

Historical Comparison - state how/why
.....

Forecasting/Future Projections - state how/why
.....

Other uses (eg Replacement Policies)
.....

How important do you feel the above measures are for monitoring, controlling and managing your Service?

Very Important	Important	Neither/Nor	Not Important
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

How important do you feel the above measures are for:

Reporting to Senior Management and Elected Members:

Very Important	Important	Neither/Nor	Not Important
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Helping to keep staff at all levels informed:

Very Important	Important	Neither/Nor	Not Important
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

5 Quality

Use Freq

- Customer Complaints
- Customer Satisfaction Surveys
- Workmanship - Inspection and Checks
- Rectification Costs
- Response Times
- Others - please state

Do you use the above measures on a Service, Area, Locality or Depot basis?

S	A	L	D	Other (State)
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
			
			

Other comments/observations on Quality Measures
.....
.....
.....

Do you use the above measures for the following:

Historical Comparison - state how/why
.....

Forecasting/Future Projections - state how/why
.....

Other uses (eg to identify weaknesses, training requirements, material faults etc)
.....
.....

How important do you feel the above measures are for monitoring, controlling and managing your Service?

Very Important	Important	Neither/Nor	Not Important
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

How important do you feel the above measures are for:

Reporting to Senior Management and Elected Members:

Very Important	Important	Neither/Nor	Not Important
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Helping to keep staff at all levels informed:

Very Important	Important	Neither/Nor	Not Important
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

6 Supplementary Factors

Use Freq

Significant Improvements Changes
Improvement Team Initiatives
Ideas submitted/implemented
Business Planning Process

Others - please state

Do you use the above indicators on a Service, Area, Locality or Depot basis?

S	A	L	D	Other (State)
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
			
			

Other comments/observations on Supplementary Factors
.....
.....
.....

Do you use the above measures for the following:

Historical Comparison - state how/why
.....

Forecasting/Future Projections - state how/why
.....

Other uses (eg measure cultural change)
.....

How important do you feel the above measures are for monitoring, controlling and managing your Service?

Very Important	Important	Neither/Nor	Not Important
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

How important do you feel the above measures are for:

Reporting to Senior Management and Elected Members:

Very Important	Important	Neither/Nor	Not Important
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Helping to keep staff at all levels informed:

Very Important	Important	Neither/Nor	Not Important
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

7 It has been suggested that performance measurement is more relevant to setting goals than assessing achievement. This is to say that the value of the indicators is more to the future (we can improve!) than it is to the past (we have achieved this!). Do you agree?

.....
.....

8 How important do you feel that having a balance of indicators (Performance Measures) is?

.....
.....
.....
.....
.....

9 Is the 'bottom line' Profit and Loss still the most important ?

Yes	Not Sure	No
<input type="text"/>	<input type="text"/>	<input type="text"/>

If yes/no give reasons why you think this is so.

.....
.....
.....
.....
.....

10 How important do you feel Performance/Measures (indicators) are for establishing service/business strategy?

Very Important	Important	Neither/Nor	Not Important
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

Why do you think this is so?

.....
.....
.....
.....

11 How important do you feel that the use of Performance Measures (Indicators) are for influencing behavioural change?

Very Important	Important	Neither/Nor	Not Important
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

Why do you think this is so?

.....
.....
.....
.....

12 It has been suggested that some Performance Measures may increase when others decrease and that this is acceptable (eg in a labour-intensive low technology local authority work situation it may be appropriate to ensure labour productivity is maximised at the expense of equipment utilisation) would you agree?

Yes	Not Sure	No
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If yes/no give reasons why you think this is so.

.....
.....
.....
.....
.....

13 It has been suggested that disseminating Performance Measures (Indicators down through the organisation helps empowerment at all levels which in turn influences behavioural change to the 'good'. Do you agree?

Strongly Agree	Agree	Neither/Nor	Disagree	Strongly Disagree
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Why do you think this?

.....
.....
.....
.....

14 It has been suggested that Performance Measures represent the 'dials' on the business 'control panel' and become the 'compass' for management in both operational and strategic scenarios. Do you agree?

Strongly Agree	Agree	Neither/Nor	Disagree	Strongly Disagree
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Why do you think this?

.....
.....
.....
.....

15 Do you intend to increase the use/number of Performance Measures (Indicators) you use in the future?

Yes	Not Sure	No
<input type="text"/>	<input type="text"/>	<input type="text"/>

Why is this so?

.....
.....
.....
.....

16 Do you use Performance Measures (Indicators) for reward payments?

Yes	Not Sure	No
<input type="text"/>	<input type="text"/>	<input type="text"/>

If yes, how is this done?

.....
.....
.....
.....

17 Do you have confidence in the mechanism/process you use at present to reward employees?

Yes	Not Sure	No
<input type="text"/>	<input type="text"/>	<input type="text"/>

If no why not?

.....
.....
.....
.....

SEMI-STRUCTURED INTERVIEWS
QUESTIONNAIRE - KEY QUESTIONS AND RESULTS

Use of performance indicators (where 1 is not important and 4 is very important).

#	PERFORMANCE	INDICATOR	%	MEAN
1	Financial —	Various ratios on service-wide basis.	100%.	
		Major problems with IT systems.	50%.	
		Historical comparison, trend analyses, forecasting.	100%.	
		Critical for managing the service.		4.00.
		Helping to motivate staff.		3.93.
2	Workload —	Plan Vs action - Forward Plan for next year.	100%.	
		Forward Plan for medium to long term.	33%.	
		Major problems getting info. from client.	33%.	
		Capacity Planning (limited use).	100%.	
		Critical for managing the service		3.83.
		Reporting to senior management, elected members.		3.16.
		Keep staff informed at all levels.		3.66.
3	Human Resources —	Number of employees and categories & ratios.	83%.	
		Turnover stats.	66%.	
		Sickness stats.	100%.	
		Accidents (days lost).	100%.	
		Type of accidents.	33%.	
		Training and Development.	66%.	
		Historical Comparison and Manpower Planning.	100%.	
		Managing service.		3.50.
		Reporting to senior management, elected members.		3.00.
		Keeping staff informed at all levels.		3.16.
4	Vehicles & equipment — Vehicle and equipment utilisation handled by Transport Service -	Numbers and type.	100%.	
		Historical Comparison.	66%.	
		Forecasting and future projections.	50%.	
		Replacement Policies.	50%.	
		Managing service, reporting to: senior mgt.		3.00.
		elected members.		2.40.
		Helping to motivate staff.		3.00.
5	Quality —	Customer complaints.	66%.	
		Customer surveys.	0.	
		Workmanship - inspections and checks.	33%.	
		Rectification costs.	50%.	
		ISO Quality Assurance Registration.	66%.	
		Historical comparison.	83%.	
		Forecasting.	35%.	
		Identify material faults, training needs, etc.	66%.	
		Managing service (very important).		3.33.
		Reporting to senior mgt, elected members.		2.83.
		Keeping staff informed.		3.33.
6	Supplementary factors —	Significant improvements.	50%.	

#	PERFORMANCE	INDICATOR	%	MEAN
6	Supplementary factors, cont. —	Improvement team initiatives.	83%.	
		Ideas implemented.	33%.	
		Business planning process.	83%.	
		Managing service.		3.00.
		Reporting to senior mgt, elected members.		2.83.
		Helping staff at all levels.		3.00.
7	Performance measures —	More about future than past.		4.00.
8	Need for a balanced set of indicators.			4.00.
	Financial measures still critical.			3.50.
9	Profit and Loss still critical.			4.00.
10	Important for establishing business/service strategy.			3.50.
	Important for establishing targets.			3.85.
11	Important for influencing behavioural change.			3.50.
	Corrective action if not met.			3.83.
12	Some increase while others decrease.	Not sure.	83%.	
	Think all PI's are important.			3.50.
The following are Likert scale 1-5, where 5 is strongly agree.				
13	Disseminating PI's helps empowerment.			3.66.
14	Performance measures are the 'dials' on the business control panel.			3.66.
The following scale is Yes = 3, Not Sure = 2, No = 1.				
15	Intend to increase the use/number of Performance Measures in future.			2.00.
16	Intend to use Performance Measures for reward payments.			2.33.
17	Do you have any confidence in the reward system used at present? If not, why not? Time-consuming, difficult to manage.			2.16.
18	If there was a reward system that was directly related to organisational performance would you use it?			2.66.
19	What do you consider to be a realistic maximum payment for a reward system?	0. — 100%. Average response: 38%.		
20	Additional comments: Information unsound because of poor systems.		50%.	

FIT Charter

Project Name and Purpose

To draft a Glossary of Terms for Performance Indicators used within the Competitive and Technical Strategy Sector. To standardise definitions, whenever possible, across all services within the Sector and to qualify and define specific P.I.'s applicable to individual services.

Project Boundaries

Starting Point:- Consider the lists of Performance Indicators attached and identify core Indicators and specific Indicators for each service. In consultation with interested parties, create a Glossary of Terms which will ensure a standard approach for reporting performance.

Ending Point:- A comprehensive Glossary of Terms to be used as a reference for Performance Indicators in the Competitive & Technical Strategy Sector.

Project Sponsor: Sandy Dewar, Financial Team Leader, Competitive & Technical Strategy Sector.

Responsibilities:

1. Provide Project Owner with required resources.
2. Agree upon check points and monitor team progress.
3. Develop and encourage support for the project at all levels within the organisation.
4. Liaise with the Chairman and members of the Commercial Services Management Committee.

Project Sponsor Expectations (i.e. targets, constraints, budgets, milestones, team members' time commitments):

Phase I: Team to identify 'core' Performance Indicators used by all services and specific P.I.'s relevant to individual services

Phase II: Advise Commercial Services Committee of Glossary of Terms, Tactical F.I.T. Charter - 18th October 1996.

Phase III: Collate information regarding the interpretation of terms used. Consult interested parties and review the current interpretation of definitions.

Phase IV: Draft a Glossary of Terms of 'core' Performance Indicators and submit to the Commercial Services Management Committee in February 1997.

Phase V: Draft a comprehensive Glossary of Terms of 'all' Performance Indicators for submission to the Commercial Services Management Committee meeting in March 1997.

Project Owner: Clarcq Neville, Accountant, Roads DLO, Roads Service.

Responsibilities:

1. Lead team ensuring targets are met.
2. Regularly update Sponsor on team progress.
3. Communicate and co-ordinate team's work with key personnel not on the team.
4. Report progress to the Performance Indicator Focus Improvement Team.

Representation From:

Building Operations
Cleansing & Waste Management
Domestic Services
Grounds Maintenance
Property Services
Roads Services
Roads DLO
Supplies & Printing
Transport
Human Resources

Team Members:

Fred Lever
David Hendry
Gareth Davis
Ruth Nelson
Jackie Raeburn
Irvine Wilson
Clarq Neville
Keith Grieve
Rob McLachlan
Nick Henderson

Responsibilities:

1. Attend meetings.
2. Provide professional input to the project and advise on current practice.
3. Fully participate and contribute to the working of the team.

Facilitator: David Irvine, Management Services.

Responsibilities:

1. Plan meetings with Project Owner.
2. Attend all meetings.
3. Provide advice and guidance on planning and control.
4. Provide advice and guidance on problem solving and diagnostic techniques.

P.I. GLOSSARY F.I.T. CHARTER

FORWARD PLAN

MAIN TASKS / ACTIVITIES	Week Commencing 13/1/97	Week Commencing 20/1/97	Week Commencing 27/1/97	Week Commencing 3/2/97	Week Commencing 10/2/97	Week Commencing 17/2/97	Week Commencing 24/2/97	Week Commencing 3/3/97	Week Commencing 10/3/97	Week Commencing 17/3/97	Week Commencing 24/3/97	Week Commencing 31/3/97	Week Commencing 7/4/97
<u>MEETINGS</u>													
CSM Committee													
F.I.T. - P.I. Strategy													
F.I.T. - Tactical Glossary													
<u>GLOSSARY CORE</u>													
<u>INDICATORS</u>													
Draft													
Collate													
Report & Issue													
<u>SERVICE SPECIFIC</u>													
<u>INDICATORS</u>													
Draft													
Collate													
Report & Issue													
Report to Corporate Manager													

COMPETITIVE AND TECHNICAL STRATEGY SECTOR
COMMERCIAL SERVICES MANAGEMENT COMMITTEE
COMMITTEE MEETING DATES FOR 1997
FORWARD PROGRAMME FOR SERVICE P.I.'S, etc.

25th February - Information to be drafted and submitted to Corporate Manager by 14th February

- * Week 40 P.I.'reported on old basis (Weeks 1 - 28)
(Weeks 1 - 40).
- * DLO/DSO, Client Services, Supplies & Printing, P.I. Core Definitions.
- * Statement that Service Specific Indicators being worked on, to be finalised for April Committee.

22nd April - Information to be drafted and submitted to Corporate Manager by 11th April

- * Exceptions Report based on Week 48 figures - any potential year-end problems highlighted.
- * Exceptions Report based on Forward Projections for 97/98 Forward Plan.
- * Service Specific Indicators Definitions.
- * Report on Timetable of Events for information submissions to Committee.
- * Clarification of Member/Officer Working Group Roles.

17th June - Information to be drafted and submitted to Corporate Manager by 6th June

9th September - Information to be drafted and submitted to Corporate Manager by 29th August

- * First Performance Indicators for 97/98. (Proposed Quarterly Returns)
- * Draft Final Accounts 96/97.

4th November Information to be drafted and submitted to Corporate Manager by 24th October

- * Programme to be ratified by Corporate Manager

FITPROG/FIT37/MEC

30th December 1996

F.I.T. CHARTER FOR PERFORMANCE INDICATORS

GLOSSARY OF TERMS

The F.I.T. Tactical Charter Group was set up to draft a glossary of terms for Performance Indicators to be used within the Competitive and Technical Strategy Sector, and ensure a standard approach for reporting performance (see attached Charter).

It became apparent that due to the differing requirements of services within the Sector, it would not be functional to draw up a list of indicators and definitions which could be applied to all services.

Within the sector there are three separate groups which have different monitoring and reporting requirements. D.L.O.'s and D.S.O.'s are legislatively required to be largely oriented to achieve required rates of return; the Client Services of Roads and Property Services are largely budget driven and budget constrained, and Supplies and Printing with three distinct Services provide different methods of service provision.

The elements common to all Services are the Human Resources employed within the Service, with all the associated monitoring and control aspects. Because of this commonality, this is the one area where Performance Indicators can be applied across all Services within the Sector.

It is proposed that the necessary performance indicators and their definitions are best presented in the following manner :-

1. For all services a list of indicators which are viewed as critical and which have a common definition which can be applied by all services.
2. For all D.L.O.'s / D.S.O.'s a list of indicators which all associated services view as critical and which have a common definition which can be applied to all D.L.O.'s / D.S.O.'s .
3. For all ' Client ' Services (Property and Roads Services) a list of indicators which both services view as critical and which have a common definition which can be applied to both.
4. For Supplies and Printing, a list of indicators which are viewed as being critical to the operation of the service.
5. For all services, Service Specific indicators which are viewed as being essential to the management of the service, but which have no commonality with definitions used by other services, which will be drawn up on an individual Service basis.

PERFORMANCE **INDICATORS**

GLOSSARY OF TERMS

Competitive and Technical Strategy

FIT3/F3J/M/C

INDEX

1. CORE DEFINITIONS

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2. SERVICE SPECIFIC INDICATORS

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-- Applicable to Cleansing & Waste Mgt. Services	Page 13
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-- Applicable to Grounds Maintenance Services	Page 16
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-- Applicable to Roads D.L.O.	Page 24
-- Applicable to Supplies & Printing Services	Page 26
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DEFINITIONS APPLICABLE TO ALL SERVICES :-

Staff Numbers

Staffing levels are reported as the total numbers of employees, both permanent and temporary, as of the last day of each reporting period.

Supporting information provides a breakdown of these figures in a format which best suits each reporting service.(and also the relevant numbers of leavers / starters for the reporting period).

Any significant factors within this indicator will be reported on in the supporting information.

Sickness - Overall

Statistics are provided separately for A.P.T. & C. and Manual employees.

Sickness is defined as being the number of days lost through sickness (including industrial injury) as a percentage of the total days available to be worked in the reporting period including holidays.

Any significant factors within this indicator will be reported on in the supporting information.

Sickness - Long term / High Level

Statistics are provided separately for A.P.T. & C. and Manual employees.

The figure reported for Long Term / High Level sickness is defined as being the number of employees who have sickness levels in excess of 20% of the total available days for the period, expressed as a percentage of the total employee numbers as expressed in ' Staff Numbers ' above.

Any significant factors within this indicator will be reported on in the supporting information.

DEFINITIONS APPLICABLE TO ALL D.L.O.'s / D.S.O.'s**Income**

All reported income must be that income which as far as possible reflects the reported costs relating to the period for which the reports are compiled, i.e., :-

The revenue transferred from the various clients to the financial accounts of the service, for work carried out within the period specified, **plus** the value of known income for work undertaken but not yet transferred to the financial accounts, **plus** the best estimate of other income attributable to works carried out in the reporting period. for which costs have been reported.

Any significant factors within this indicator will be reported on in the supporting information.

Expenditure

All reported costs must be those costs which as far as possible reflect the reported income relating to the period for which the reports are compiled, i.e.

The costs as shown in the financial accounts for work carried out within the period specified, **plus** the best estimate of other costs relating to works carried out in the reporting period not yet transferred to the financial accounts, **minus** any adjustments for items posted to the financial accounts which do not relate to the period in question. (E.G. Rates / Employer's Liability insurance etc., where full charges are posted part way through the year - the proportion which does not relate to the period in question are excluded.)

Any significant factors within this indicator will be reported on in the supporting information.

Profit / Loss

The value of Income less Expenditure as defined above

Accidents - Days Lost

The numbers of days lost through industrial injury taken from the records available to the service.

DEFINITIONS APPLICABLE TO ROADS AND PROPERTY SERVICES :-

Named Projects :-

For Roads Service, Named Projects are defined as all projects over £15,000 named within the planned expenditure programme of capital, revenue or Capital Funded from Current Revenue (C.F.C.R.) expenditure.

For Property Services Named Projects are defined as all projects over £25,000 named within the planned expenditure programme of capital, revenue, C.F.C.R. or Housing expenditure.

To Ensure Budget For Named Projects Is Spent Over The Financial Year

A position statement for the end of the reporting period giving the best estimate of projected budget expenditure for Named Projects within the current financial year. i.e. expenditure on target, anticipated overspend or anticipated shortfall.

Supporting information will provide further details of any significant deviation from planned expenditure profiles.

Expenditure Profile For Named Projects : Planned v.'s Actual

For Roads Service :-

The best estimate of actual cumulative expenditure v's planned cumulative expenditure for the programme of Named Projects.

For Property Service :-

The best estimate of total anticipated expenditure v's the total current client approved budget for the programmed Named Projects.

Supporting information will provide further analyses of the information in a manner best suiting the needs of each service.

Contracts Let Within Estimated Price

The percentage of Named Projects in which the successful tender price falls within the Pre-Tender estimate.

Contracts Started On Time

The percentage of Named Projects in which the appointed Contractor has fulfilled the contractual obligations to start work by agreed dates.

Contracts Completed On Time

The percentage of Named Projects in which the appointed Contractor has achieved substantial / practical completion within the prescribed contractual period, having taken into account any justifiable extension of time.

Minor Projects / Maintenance :-

For Property Services Minor Projects are defined as all projects not exceeding £25,000 comprising capital, revenue C.F.C.R. or Housing expenditure.

For Roads Service, Maintenance is defined as all routine and cyclic maintenance activities together with named projects not exceeding £15,000.

To Ensure Budget Is Spent Over Financial Year

A position statement for the end of the reporting period giving the best estimate of projected budget expenditure within the current financial year i.e. expenditure on target, anticipated overspend or anticipated shortfall.

Supporting information will provide further analyses of the information in a manner best suiting the needs of each service.

Percentage Budget Spent On Dayworks

The best estimate of dayworks expenditure on Maintenance / Minor Projects expressed as a percentage of the total Maintenance / Minor Projects expenditure.

HUMAN RESOURCES :-**Overtime**

Overtime costs are currently processed on a four-weekly basis in line with salary period arrangements. The indicator is therefore defined as the best estimate of overtime costs based on the number of four-weekly accounting periods most closely matching each reporting period.

Overtime is reported as the number of enhanced hours claimed under the three permissible categories of (1 X Actual Time), (1.5 X Actual Time) and (2 X Actual Time).

The total number of enhanced hours is expressed as a percentage of the number of standard working hours available within the overtime accounting period i.e.
 (Number of staff X number of weeks X 36 hours per week)

Training And Development

Training and development is reported as the number of person/days spent on training within each reporting period, together with the best estimate of training budget expenditure as a percentage of the overall training budget for the financial year.

Travelling And Subsistence Costs

Travel and subsistence costs are currently processed on a four-weekly basis in line with salary period arrangements. The indicator is therefore defined as the best estimate of travelling and subsistence costs based on the appropriate number of accounting periods most closely matching each reporting period.

Travelling And Subsistence Costs Professional & Technical Numbers

In calculating the above ratio, the cost of professional and technical claims for the appropriate four-weekly accounting period is divided by the number of professional and technical staff as of the final date of the reporting period.

QUALITY :-

Customer Complaints

A customer complaint is defined as an expression of dissatisfaction or formal accusation from an internal or external source regarding an apparent failure to adequately perform a function or provide a service as part of the established scope of the Service activities.

The indicator provides the total number of complaints received within each period, which satisfy this definition.

Customer Satisfaction Surveys

Details of the number of survey questionnaires issued and number of questionnaires returned, together with one copy of the questionnaire annotated to provide a summary analysis of responses received should be provided for all surveys completed within each reporting period.

Supporting information will provide further analyses of the information in a manner best suiting the needs of each Service.

TACTICAL F.I.T. CHARTER GROUP

ROADS D.L.O. SERVICE

SERVICE SPECIFIC INDICATORS

FLEET INFORMATION

CURRENT NUMBERS OF PLANT AND VEHICLE ITEMS

TOTAL PLANT AND VEHICLES COSTS

The numbers of current fleet items, both plant & vehicles as at the end of the appropriate reporting period.

The total cumulative costs for fleet maintenance charged by Transport D.S.O.

Information is based on the Vehicle Charge Analysis Sheets provided by Transport D.S.O. on a four weekly basis.

FLEET UTILISATION

The number of hours costed as unproductive time through the costing system used by the Roads D.L.O. Service, expressed as a percentage of the total hours costed.

Unproductive time consists of breakdown time, idle time and time booked as indirect bookings.

AVERAGE FLEET COST PER PERIOD

The total cumulative costs for fleet maintenance charged by Transport D.S.O., divided by the relevant number of four week periods.

MANUAL AND CRAFT INFORMATION

An analysis of the hours costed for labour through the costing system used by the Roads D.L.O. Service, showing :-

Basic hours costed to jobs	XXX
Overtime hours costed to jobs	XXX
Overtime premium hours costed to jobs	<u>XXX</u>
Total Overtime hours	<u>XXX</u>
Total Direct hours	XXX
Total Indirect hours	<u>XXX</u>
Total costed hours	<u>XXX</u>
Indirect hours as a percentage of total hours	XX %
Total Overtime hours as a percentage of total direct hours	XX%

Indirect hours are all non productive hours not costed directly to jobs and which have to be carried as an overhead to the service, e.g. holidays, sickness, meetings, contractual overtime etc..

TURNOVER PER MANUAL & CRAFT EMPLOYEE.

The reported income as per the Key Performance Indicator divided by the numbers of manual and craft employees as at the end of the reporting period.

CLEANSING AND WASTE MANAGEMENT (WEST)ABSENCE MANAGEMENT MEETING - THURSDAY 30TH OCTOBER, 1997

Present:

A meeting was held to brief the Shop Stewards on the steps to be taken to monitor and control the levels of self certified sick absences within the Department.

In line with Councils - Disciplinary, Grievance, Appeals and Disputes Procedure, the question of frequent use of the self certified scheme is to be addressed under, poor attendance, including frequent and unrelated short-term sickness absence.

As from Monday 10th November, 1997, self certified absences will be handled as follows:-

1. Three instances of self certified absence with an absence rating of less than the Bradford Factor of 81 (number of absences x number of absences x total number of days lost) will result in a recorded guidance session. At which it will be stated that the next absence may lead to disciplinary action being taken.
2. Three instances of self certified absence with an absence rating of more than 81 will lead to disciplinary hearing where action may be taken.
3. All instances of self certified absenteeism referred to in this memo must fall within a rolling 12 month period.
4. For further occasions of self certified absences the disciplinary action may progress as follows:-

<i>No of Occasions</i>	<i>3 Instances < 81</i>	<i>3 Instances > 81</i>
3	Recorded Guidance Session	Verbal Warning
4	Verbal Warning	Written Warning
5	Written Warning	Final Written Warning
6	Final Written Warning	Dismissal
7	Dismissal	

Any self certified sick absences after Monday 10th November, 1997, will be checked against the criteria listed above and those with absences during the past 12 months in excess of 3 instances > 81 days will be dealt with under the verbal warning level irrespective of their absence level at that time.

-2-

As this is an Operational Depot it is very difficult to plan meetings with the employees a week ahead due to the problems that can occur on a daily basis with vehicle breakdowns, extra loads, etc. In order to overcome these problems it was suggested that a local agreement be reached which would waive the right to a written 5 day notification being raised for those who would be required to attend a hearing under the verbal or written warning levels. For those at final written or dismissal levels the written 5 day notice would be implemented. This was unanimously agreed by the Shop Stewards attending

4th November, 1997

Signatures of those attending who agreed to the waiving of the 5 day notification letter as detailed above:-

(aa87)



CLEANSING & WASTE MANAGEMENT (WEST) - ABSENCE RATING

NUMBER OF ABSENCES										
	1	2	3	4	5	6	7	8	9	10
1	1	4	9	16	25	36	49	64	81	100
2	2	8	18	32	50	72	98	128	162	200
3	3	12	27	48	75	108	147	192	243	300
4	4	16	36	64	100	144	196	256	324	400
5	5	20	45	80	125	180	245	320	405	500
6	6	24	54	96	150	216	294	384	486	600
7	7	28	63	112	175	252	343	448	567	700
8	8	32	72	128	200	288	392	512	648	800
9	9	36	81	144	225	324	441	576	729	900
10	10	40	90	160	250	360	490	640	810	1000
11	11	44	99	176	275	396	539	704	891	1100
12	12	48	108	192	300	432	588	768	972	1200
13	13	52	117	208	325	468	637	832	1053	1300
14	14	56	126	224	350	504	686	896	1134	1400
NUMBER	15	60	135	240	375	540	735	960	1215	1500
OF	16	64	144	256	400	576	784	1024	1296	1600
DAYS	17	68	153	272	425	612	833	1088	1377	1700
LOST	18	72	162	288	450	648	882	1152	1458	1800
	19	76	171	304	475	684	931	1216	1539	1900
	20	80	180	320	500	720	980	1280	1620	2000
	21	84	189	336	525	756	1029	1344	1701	2100
	22	88	198	352	550	792	1078	1408	1782	2200
	23	92	207	368	575	828	1127	1472	1863	2300
	24	96	216	384	600	864	1176	1536	1944	2400
	25	100	225	400	625	900	1225	1600	2025	2500
	26	104	234	416	650	936	1274	1664	2106	2600
	27	108	243	432	675	972	1323	1728	2187	2700
	28	112	252	448	700	1008	1372	1792	2268	2800
	29	116	261	464	725	1044	1421	1856	2349	2900
	30	120	270	480	750	1080	1470	1920	2430	3000
	31	124	279	496	775	1116	1519	1984	2511	3100
	32	128	288	512	800	1152	1568	2048	2592	3200
	33	132	297	528	825	1188	1617	2112	2673	3300
	34	136	306	544	850	1224	1666	2176	2754	3400
	35	140	315	560	875	1260	1715	2240	2835	3500
	36	144	324	576	900	1296	1764	2304	2916	3600
	37	148	333	592	925	1332	1813	2368	2997	3700
	38	152	342	608	950	1368	1862	2432	3078	3800
	39	156	351	624	975	1404	1911	2496	3159	3900
	40	160	360	640	1000	1440	1960	2560	3240	4000
	41	164	369	656	1025	1476	2009	2624	3321	4100
	42	168	378	672	1050	1512	2058	2688	3402	4200
	43	172	387	688	1075	1548	2107	2752	3483	4300
	44	176	396	704	1100	1584	2156	2816	3564	4400
	45	180	405	720	1125	1620	2205	2880	3645	4500
	46	184	414	736	1150	1656	2254	2944	3726	4600
	47	188	423	752	1175	1692	2303	3008	3807	4700
	48	192	432	768	1200	1728	2352	3072	3888	4800
	49	196	441	784	1225	1764	2401	3136	3969	4900
	50	200	450	800	1250	1800	2450	3200	4050	5000

FIT Charter

<p>Project Name and Purpose:</p> <p>SERVICE PERFORMANCE INFORMATION FOR EMPLOYEES.</p> <p>To establish specific performance information for employees, and to recommend means of achieving comprehensive distribution coverage.</p>	<p>Project Owner: Phil Grubb, Transport DSO.</p> <p>Responsibilities:</p> <ol style="list-style-type: none"> 1. Lead team ensuring targets are met. 2. Regularly update Sponsor on team progress. 3. Communicate and co-ordinate team's work with key personnel not on the team. 																						
<p>Project Boundaries:</p> <p>Starting Point - Identifying LIMITED number of KEY PERFORMANCE elements to be publicised in each service.</p> <p>End Point - Information displayed/distributed in each service.</p>	<table border="0"> <tr> <td>Representation From: the undernoted services:</td> <td>Team Members:</td> </tr> <tr> <td>Supplies & Printing Service</td> <td>Ann Burns</td> </tr> <tr> <td>Roads Service</td> <td>Irvine Wilson</td> </tr> <tr> <td>Property Service</td> <td>Ian Simpson</td> </tr> <tr> <td>Estates Service</td> <td>Ronnie Hair</td> </tr> <tr> <td>Building Operations DLO</td> <td>Dawn Cook</td> </tr> <tr> <td>Cleansing & Waste Management DSO</td> <td>Alan Arbuthnott</td> </tr> <tr> <td>Roads DLO</td> <td>Rob Henry</td> </tr> <tr> <td>Grounds Maintenance DSO</td> <td>Ruth Nelson</td> </tr> <tr> <td>Domestic Services DSO</td> <td>Neil McLean</td> </tr> <tr> <td>Transport DSO</td> <td>Phil Grubb</td> </tr> </table>	Representation From: the undernoted services:	Team Members:	Supplies & Printing Service	Ann Burns	Roads Service	Irvine Wilson	Property Service	Ian Simpson	Estates Service	Ronnie Hair	Building Operations DLO	Dawn Cook	Cleansing & Waste Management DSO	Alan Arbuthnott	Roads DLO	Rob Henry	Grounds Maintenance DSO	Ruth Nelson	Domestic Services DSO	Neil McLean	Transport DSO	Phil Grubb
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Domestic Services DSO	Neil McLean																						
Transport DSO	Phil Grubb																						
<p>Project Sponsors: David Brown, Corporate Manager.</p> <p>Responsibilities:</p> <ol style="list-style-type: none"> 1. Provide Project Owner with required resources. 2. Agree upon checkpoints and monitor team progress. 3. Develop and encourage support for the project at all levels within the organisation. 4. Liaise with members of the Sector Management Group. 	<p>Responsibilities:</p> <ol style="list-style-type: none"> 1. Attend all meetings. 2. Provide professional input and advice on current practices. 3. Fully participate and contribute to objectives and targets set by the team. 																						
<p>Project Sponsor Expectations (i.e. targets, constraints, budgets, milestones, team member's time commitments): Team Members time commitments = 3 Hours per week.</p> <p>First meeting to take place week commencing 16th March, 1998.</p> <p>Meetings to take place as required thereafter.</p> <p>Recommendations to Sponsor by Wednesday 29th April, 1998.</p> <p>Report to Commercial Services Management Committee meeting on 11th May, 1998.</p>	<p>Facilitator: Andrew Muir, Management Services.</p> <p>Responsibilities:</p> <ol style="list-style-type: none"> 1. Plan meetings with owner. 2. Attend all meetings. 3. Provide advice and guidance on planning and control. 4. Provide advice and guidance on problem solving and improvement techniques. 																						

FOCUS IMPROVEMENT TEAM
FOR
SERVICE PERFORMANCE INFORMATION FOR EMPLOYEES

FORWARD PLAN

MAIN TASKS/ACTIVITIES	Week Commencing 16-3-98	Week Commencing 23-3-98	Week Commencing 30-3-98	Week Commencing 6-4-98	Week Commencing 13-4-98	Week Commencing 20-4-98	Week Commencing 27-4-98	Week Commencing 4-5-98	Week Commencing 11-5-98	Week Commencing 18-5-98	Week Commencing 25-5-98	Week Commencing 1-6-98	Week Commencing 8-6-98
FIT MEETING													
GATHER INFORMATION													
ESTABLISH A POSITION STATEMENT													
EXAMINE CURRENT INFORMATION													
DEVELOP ALTERNATIVES													
IDENTIFY APPROPRIATE INFORMATION													
CONSIDER PRESENTATION AND FORMAT OF INFORMATION													
DESIGN SUITABLE SYSTEM/INFORMATION FLOW													
INSTALL SYSTEM													
MAINTAIN SYSTEM													
REFINE SYSTEM													
RECOMMENDATION TO CORPORATE MANAGER													
COMMERCIAL SERVICES MANAGEMENT COMMITTEE													

Critical Dates



Public Holidays

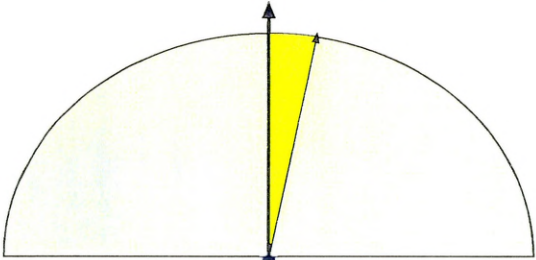


Ref: APM/Focimp

Key Performance Indicators

From April 97 - March 98

Section: **PRINTING & AREA REPROGRAPHICS**

Financial	Target	Actual	Comments
PROFIT/LOSS			OVERALL WE'RE ON TARGET! 😊
	BUDGET TARGET		

Human Resources			
STAFF TURNOVER	NIL	1	PRINT OPERATIVE LEFT
ABSENTEEISM	LESS THAN 5%	10%	OVER THE TARGET - EXPECT TO DO BETTER NEXT MONTH 😞
ACCIDENTS	LESS THAN 3	NIL	NO ACCIDENTS - GREAT! 😊

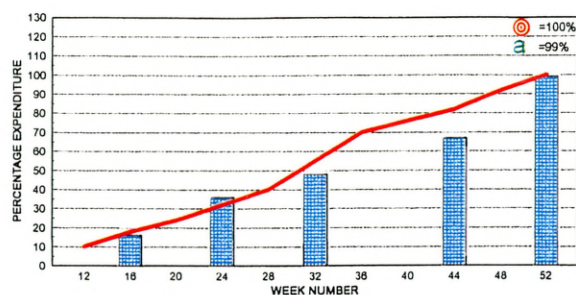
Quality			
CUSTOMER COMPLAINTS	5		6
CUSTOMER SATISFACTION SURVEY	ISSUED 100	RECEIVED 80	POSITIVE 60 NEGATIVE 20
DELIVERY TIMES	3 DAYS		2 DAYS
LET'S AIM FOR THE TARGET NEXT TIME 😞			
GOOD RESULT - FOR SURVEY ISSUED DURING 97/98 😊			
WELL DONE WE'RE BEATING THE TARGET 😊			

Supplementary Factors			
SAVINGS - CENTRAL STORE (PRICE COMPARISON SURVEY)	25% CHEAPER	22% CHEAPER	PRICES COMPARED WITH PRIVATE COMPANIES 😊
SAVINGS - DIRECT DELIVERY (ADDITIONAL SAVINGS ACHIEVED)	£25,000	£15,000	SAVINGS MADE ON FURNITURE ELECTRICAL ITEMS & COMPUTERS 😊

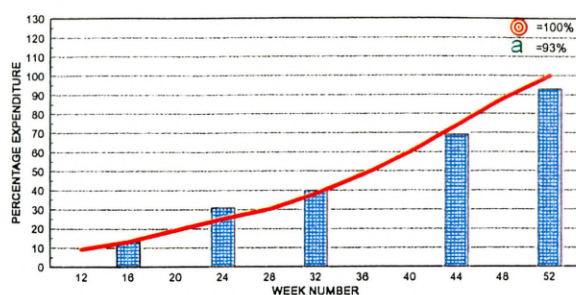
Roads Service Key Performance Indicators

Weeks 1- 52 1998/99

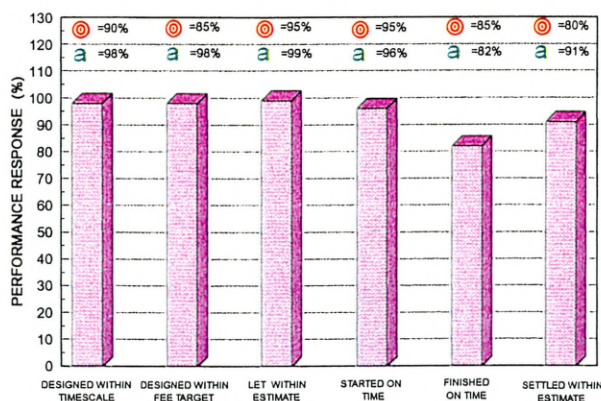
NAMED PROJECTS EXPENDITURE



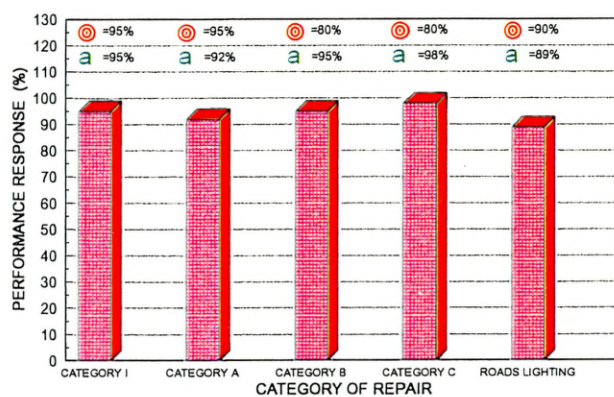
MAINTENANCE EXPENDITURE



DESIGN AND CONSTRUCTION

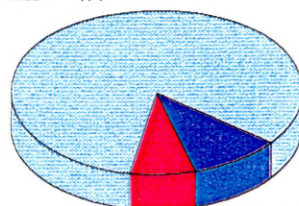


MAINTENANCE DEFECTS REPAIRS



STAFF TURNOVER

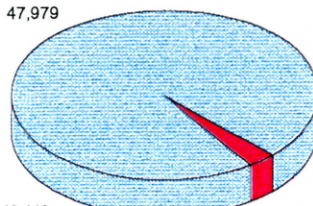
STAFF RETAINED = 171



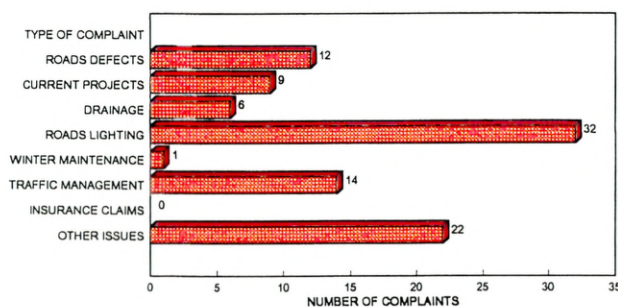
STAFF TURNOVER = +3.23%

SICKNESS ABSENCE

DAYS WORKED = 47,979

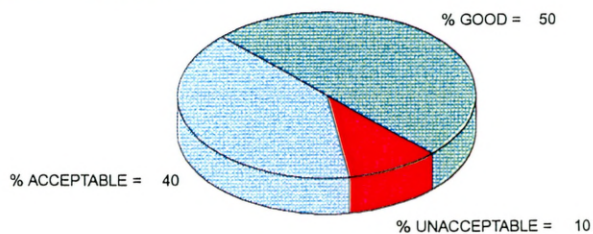
Target: 2.75%
Actual: 2.96%

CUSTOMER COMPLAINTS



TOTAL NUMBER OF COMPLAINTS TO WEEK 52 = 96

CUSTOMER SATISFACTION SURVEYS



18 SURVEYS WITHIN THE 1998/99 PROGRAMME HAVE NOW BEEN CONCLUDED

1143 QUESTIONNAIRES WERE ISSUED, 447 QUESTIONNAIRES WERE RETURNED
THIS GIVES AN OVERALL LEVEL OF PARTICIPATION OF 39%, WHICH IS CONSIDERED TO BE GOODFROM A TOTAL OF 3316 RESPONSES TO QUESTIONS
1677 (50%) WERE 'GOOD' 1317 (40%) WERE 'ACCEPTABLE' 322 (10%) WERE 'UNACCEPTABLE'

FURTHER ANALYSIS OF THE RESULTS WILL BE UNDERTAKEN IN THE NEXT FEW MONTHS ONCE THE REMAINING SURVEYS FOR 1998/99 HAVE BEEN CONCLUDED

COMPETITIVE & TECHNICAL STRATEGY

SERVICE:-

FIT CHARTER:- SERVICE PERFORMANCE INFORMATION FOR EMPLOYEES

EMPLOYEE QUESTIONNAIRE

Scale - 1 (poor), 2, 3 (average), 4, 5 (top marks)

		PLEASE CIRCLE ANSWERS				
1.	Have you seen a copy of your Service's leaflet on - Service Performance Indicators?	YES		NO		
2.	If so, was it readily available to all employees?	YES		NO		
3.	Rate how readily it attracted your attention.	1	2	3	4	5
4.	How professional did you find the presentation?	1	2	3	4	5
5.	How informative did you find the leaflet?	1	2	3	4	5
6.	How easily did you understand the information?	1	2	3	4	5
7.	How interested were you in the information?	1	2	3	4	5
8.	Would you like to see this leaflet continue in its present form?	YES		NO		
9.	Which information do you NOT want included? Comment:-					
10.	What additional information would you like included? Comment:-					
11.	Where was the information displayed in your Service? Comment:-					
12.	Any other comments on the leaflet and its availability. Comment:-					

Completed forms to be returned to:-
by 30th September, 1998.

Roads Service FIT Project Register

APRIL 1998

Reference	Project Name	Purpose	RSMT Date	Start Date	End Date	Sponsor / Owner / Facilitator	Position Statement	Action	Outcome	Date Complete
FIT/96/01	Landfill Tax implications	Assess implications & recommend actions		21/10/96	Dec.1998	David Rennie Eddie Ross David Lackie	Original remit complete Further Action Plan pending.	Restart Jun.1998 Complete by Dec. 1998	Closed-out	
FIT/96/02	H&S at remote offices / premises	Devise appropriate H&S arrangements for remote offices, car parks & harbours			26.11.96	David Rennie Alan Maxwell Keith Watson	Complete		Closed-out	August 1997
FIT/96/03	Performance Monitoring of Contractors	Formulate proposals for works >£15K			12.11.96	Irvine Wilson Peter Corbett	Systems to gather , monitor & report are now in place	Further work required on database	Closed-out	
FIT/96/04	Consultation Process & Management of Information	Produce procedures for consultation and presentation of information			22.11.96	Tony Arroll Derek Crowe S.Ravi Raj	No progress has been made	Re-programme FIT Charter.	Ongoing	
FIT/96/05	Performance Indicators	Consider approved PIs and develop reporting systems			on going	Irvine Wilson Peter Corbett	Systems to gather, monitor & report are now in place	Report Quarterly to CSMC	Closed -out	
FIT/96/06	Road & Footway Surfaces	Review performance of traditional surfacing materials and consider alternatives.			9.3.97	Derek Crowe Steve Knowles	No progress has been made	Reprogramme FIT Charter	Ongoing	
FIT/96/07	Roads Lighting Service Review	Review existing service provision & identify improvements		4.10.96	31.1.97	Iain Napier Angus Broadhurst Iain Napier	Discussions completed/action points identified	Report to Management Team	Ongoing	
FIT/96/08	Filing Review	Consider existing filing systems & ensure standard approach to filing			14.3.97	Tony Arroll Alastair Mackenzie Irvine Wilson	Final draft being prepared	Reschedule for completion March 1998	Closed-out	
FIT/96/09	Public Participation Seminar	Prepare/coordinate display for 'Voices & Choices' seminar on 15.2.97		17.1.97	15.2.97	Tony Arroll Derek Crowe Peter Corbett	Arrangements are complete, display successfully concluded.	Liaise with Lochgelly Centre, Communication Unit & Corporate Policy	Closed-out	

FIT Charter

Project Name and Purpose

To investigate and assess the current status of Quality Assurance Systems within the Competitive and Technical Strategy Sector and make recommendations to the Corporate Manager on the future approach to Quality Assurance issues.

Project Boundaries

Starting Point	-	Collect information from those services within Competitive and Technical that are currently registered, are in the process of developing systems/seeking registration or have considered and rejected Q.A. systems.
Ending Point	-	Report submitted which allows the Corporate Manager to make an informed decision on the way ahead for Q.A. systems within the Competitive and Technical Strategy sector.

Project Sponsor: David Brown, Corporate Manager, Competitive & Technical Strategy Sector.

Responsibilities:

1. Provide Project Owner with required resources/representatives.
2. Develop and encourage support for the project at all levels within the sector.
3. Consider report and decide on future impact of Q.A. systems within Competitive and Technical Strategy Sector.

Project Sponsor Expectations (i.e. targets, constraints, budgets, milestones, team members' time commitments):

Team members' time commitments 3 hours per week.

1. Convene initial meeting by week commencing 2/9/96.
2. All questionnaires to be returned by 13/9/96.
3. Feedback and analysis of questionnaires by 18/9/96.
4. Report published by 4/10/96.

Project Owner: Graeme Dickson, Grounds Maintenance Manager.

Responsibilities:

1. Ensure timetables/targets are achieved.
2. Co-ordinate the activities of the team.
3. Regularly update the Project Sponsor.
4. Provide the necessary clerical/admin. support.

Representation From:

Grounds Maintenance;
Transport;
Roads Service;
Supplies & Printing;
Domestic Services;
Property Services;
Roads DLO;
Cleansing & Waste Management;
Building Operations;
Finance;
Corporate Procurement;
Management Services;

Team Members:

Stewart Stones
Rob McLachlan
Irvine Wilson
Keith Grieve
Neil McLean
John Hunter
Gordon McKenzie
Alan Arbuthnott
Robert Virgin
As required
As required
Les Mathieson

Responsibilities:

1. Attend all meetings.
2. Gather and present information on current status.
3. Undertake analysis of Q.A. issues in relation to Business Plans, etc.
4. Assist other team members as required.

Facilitator: Andrew Muir, Management Services.

Responsibilities:

1. Identify feasible timescales for the project.
2. Attend all meetings.
3. Monitor timescales and report on project progress.
4. Provide advice and guidance on problem solving and diagnostic techniques.

COMPETITIVE AND TECHNICAL STRATEGY SECTOR

QUALITY ASSURANCE QUESTIONNAIRE

The purpose of this questionnaire is to collect information on current or proposed Quality Assurance systems.

Please complete a questionnaire for each service considered for registration to ISO9001/2, or registered to ISO9001/2.

1 Service

2 Are any Sections within the Service currently registered?

YES*

NO*

☐
☐

**(If yes then continue below, if no then go to question 16 overleaf)*

3 Section Details (*Burials, catering, gas installations*)

4 To which standard are they registered?

5 What is the scope of registration?

6 Number of sites covered by scope.

7 Total staff covered by scope.

8 Who is the registration with?

9 Who is the Quality Management Representative?

10 How long has the service been registered? (*Date of Registration*)

11 When is the next anticipated external audit date?

12 What are the estimated **external** costs for April 96 to April 97?

13 What are the estimated **internal** costs for 1996 -97? (*£'s or Hours*)

£

Hours

14 What were the objectives for introducing Quality Assurance?

(Value for money, improved morale, improved service provision - Continue on a separate sheet if required)

15 Have the objectives for introducing Quality Assurance been achieved?

YES

NO

☐☐

16 Do you see Quality Assurance playing a role in your future tendering strategy?

YES*

NO*

☐☐

**(If yes then continue below, if no then go to question 18)*

17 If yes, what part do you see Quality Assurance playing? *(Continue on a separate sheet if required)*

18 If no, give the reasons *(Value for money, additional paperwork - Continue on a separate sheet if required)*

Please return the completed questionnaire by the **13th of September 1996** to

Mr A. Muir (Project Facilitator)
Management Services.

A copy of the survey results will be provided to all respondents.
Your co-operation is appreciated.

Signature

Designation

Date

COMPETITIVE AND TECHNICAL STRATEGY SECTOR

QUALITY ASSURANCE QUESTIONNAIRE

ANALYSIS OF RESPONSES

DATE: 25.09.96
PAGE NO: 1
REF: QA/Question

SERVICE QUESTION RESPONSES	GROUNDS MAINTENANCE SERVICE	TRANSPORT	SUPPLIES & PRINTING	PROPERTY SERVICES	ROADS DLO	BUILDING OPS.	ROADS SERVICE	CLEANSING & WASTE MANAGEMENT	DOMESTIC SERVICES
1. Are any Sections currently registered?	Yes	No	No	No	Yes	No	Yes	Yes	Yes
2. Which Sections?	Crematorium				Road Marking, Signs Manufacture		Various	Skip Hire	1. School Meals, 2. Building Cleaning
3. To which standard registered?	ISO 9002				ISO 9002		ISO 9001	ISO 9002	ISO 9002
4. What is the scope of registration?	The provision of crematorium services and the operation of Dunfermline crematorium.	The process of fleet items through workshops, customer complaints and approved suppliers.			The application of marking materials to road surfaces & airfields; & the supply & manufacture of road traffic signs.		Design of Roads, Structures, Harbours & related activities inc. Construction Monitoring, Topographical Surveys, Site Investigation, Lighting & Construction Consents.	The provision of a skip hire service to customers in the West Fife area (previously Dunfermline District Council)	1. On site production & service of school meals to the Local Authority. 2. The provision of cleaning services.
5. Number of sites covered by scope?	1	6			4		HQ, 3 geographical sites & all construction sites	One	1. 140 2. 366
6. Total staff covered by scope?	4	50			16		216	10	1. 1,200 2. 1,300
7. Who is the registration with?	BSI Cert No F530327				SGS Yarsley ICS Ltd		SGS Yarsley ICS Ltd	BSI Quality Assurance	BSI Quality Assurance
8. Who is the Quality Management Representative?	Stewart Stones	Rob McLachlan			Gordon McKenzie		Irvine R Wilson	Stewart Stones	Neil McLean
9. How long has the service been registered? (date of registration)	10.01.95				31.03.93		1992	10.01.95	1. 12.6.95 2. 19.11.91
10. When is the next anticipated external audit date?	November 1996	To be announced			September 1996		February 1997	November 1996	1. October 1996 2. September 1996
11. What are the external costs for April 96 to April 97?	£994	£600			£750-£1,000		£550 +£1,376=£1,925	£4994	1. £5,660 2. £1,360
12. What are the estimated internal costs for 1996-97? (£'s or hours)	120 hours	£700			£9,000 600 hours		£22,556 1,547 hours	120 hours	1. £15,000 2. £15,000

COMPETITIVE AND TECHNICAL STRATEGY SECTOR

QUALITY ASSURANCE QUESTIONNAIRE

ANALYSIS OF RESPONSES

DATE: 25.09.96
PAGE NO: 2
REF: QA/Question

SERVICE QUESTION RESPONSES	GROUPS MAINTENANCE SERVICE	TRANSPORT	SUPPLIES & PRINTING	PROPERTY SERVICES	ROADS DLO	BUILDING OPS.	ROADS SERVICE	CLEANSING & WASTE MANAGEMENT	DOMESTIC SERVICES
13. What were the objectives for introducing Quality Assurance? (Value for money, improved morale, improved service provision)	(a) to improve efficiency and identify where improvement could be made. (b) highlight any irregularity in operations and non-conformances. (c) improve procedures and to identify methods of operation. (d) to identify customer requirements from this council service.	(a) improved service provision. (b) Requirement for additional contracts.			Tender Requirements (Ref Q.16)		In 1982 the Government published a "White Paper - Standards, Quality & International Competitiveness" advising on the adoption of Q.A. The Dept. of Transport actively supported introducing QA in 1990 to all areas of Highway Procurement & required that Highway Design work would only be carried out by QA certified organisations. Also the onset of Fee Competition prompted the former Roads Division to be able to demonstrate its competency by being examined & certified by an independent body.	Improved service provision which increased competitiveness. An increasing number of companies are insisting upon ISO 9002 registration before they will accept tenders for skip hire contracts. The Rosyth Royal Dockyard Skip Hire Contract is an example of a very large and valuable contract currently being serviced.	Improved service provision and in accordance with contract requirements.
14. Have the objectives for introducing Quality Assurance been achieved?	Yes	Yes			Yes		Yes	Yes	Yes
15. Do you see Quality Assurance playing a role in your future tendering strategy?	Yes	Yes	No	Yes	Yes	No	Yes	Yes	Yes
16. If yes, what part do you see Quality Assurance playing?	It is planned for the Quality Assurance System currently operated by the Dunfermline Crematorium to be implemented in the Kirkcaldy crematorium. A second QA System has been developed for the burials section and this system will be put into operation once the Corporate Policy for Quality Assurance Systems has been addressed.	(a) Yes, this makes a valuable statement regarding the operational procedures. (b) National/ International Standard Benchmark (c) Can be used as an excellent management tool (d) Monitors performance & declares the requirements of a specification.		In some form full accreditation may be pursued only if required by the market to maintain competitiveness (CCT). Kirkcaldy Area Office have a Q.A. system in place for their Admin. Section but it is not accredited.	Having quality management systems which meet the requirements of ISO 9002 allows tendering to take place. It is thus part of the CCT process.		QA ensures that our management system is comprehensive, fully effective and regularly checked therefore making a positive contribution to our profitability. Independent verification of our activities provides a strong corroboration of our status as a Quality Assured firm and should ensure our inclusion on tender lists.	It is the intention to expand the Skip Hire business to cover the whole of Fife by expanding into the Central and East areas of Fife. The scope of registration being amended accordingly.	It is seen that a requirement for a Quality Assurance System will be included in future contract conditions.

COMPETITIVE AND TECHNICAL STRATEGY SECTOR

QUALITY ASSURANCE QUESTIONNAIRE

ANALYSIS OF RESPONSES

DATE: 25.09.96
PAGE NO: 3
REF: QA/Question

QUESTION RESPONSES	SERVICE	GROUND MAINTENANCE SERVICE	TRANSPORT	SUPPLIES & PRINTING	PROPERTY SERVICES	ROADS DLO	BUILDING OPS.	ROADS SERVICE	CLEANSING & WASTE MANAGEMENT	DOMESTIC SERVICES
16. (continued)		It is also intended for a system to be developed for the Grounds Maintenance Service. The implementation of these Quality Assurance Systems is considered to be of significant importance when competing with the private sector in the next round of tenders.			The former Property Dept. was proceeding with preparation towards applying for accreditation. Much of the basic documentation was prepared however it was put on indefinite hold in January 1996 as a result of the reorganisation. It may be resurrected but only if required by market (CCT).			Because ISO 9000 is recognised world-wide, it enhances the status & image of our organisation.		
17. If no, give the reasons (<i>Value for money, additional paperwork</i>)				There is no current or impending CCT Legislation affecting the Supplies & Printing Service. It is recognised, however, that quality assurance has a vital role to play in the development of the Supplies & Printing Service procedures and Quality Manual. All procedures, therefore, will be prepared to meet ISO 9002 standard at which point accreditation may be pursued.			Value for money, additional paperwork, high costs regarding set-up/continuous monitoring and doubt the relevance at this time.			

COMPETITIVE AND TECHNICAL STRATEGY SECTOR
QUALITY ASSURANCE QUESTIONNAIRE
SUMMARY OF ANALYSIS OF RESPONSES

The following information is a Summary of the Analysis of the Quality Assurance Questionnaires completed by all Services within the Competitive and Technical Strategy Sector. The information will be used as the basis for discussion at the next meeting of the Focus Improvement Team.

1. Q Are any sections currently registered?
A Five out of nine Services (56%) have some form of registration.
2. Q Which sections?
A See list attached.
3. Q To which standard registered?
A One Service ISO 9001
Four Services ISO 9002
4. Q What is the scope of registration?
A See list attached.
5. Q Number of sites covered by scope?
A See list attached.
6. Q Total staff covered by scope?
A 2,796 employees (54% of the Sector's total compliment of 4,300 Manual & 850 A.P.T. & C. are covered by some form of registration).
7. Q Who is the registration with?
A Two only - BSI Quality Assurance and Yarsley ICS Ltd.
8. Q Who is the Quality Management Representative?
A See list attached (Stewart Stones is the Quality Representative for two Services).
9. Q How long has the Service been registered? (*date of registration*)
A Earliest November 1991 - Latest June 1995
10. Q When is the next anticipated external audit date?
A Earliest September 1996 -Latest February 1997
11. Q What are the external costs for April 1996 to April 1997?
A Range from £600 (estimate) to £5,660
12. Q What are the estimated internal costs for 1996-97 (*£'s or hours*)
A Range from £700 (estimate) to £22,556 (It should be noted that Sector's total annual spend is £160 million).
13. Q What were the objectives for introducing Quality Assurance? (*value for money, improved service*)
A Improved Service provision and increased efficiency.
14. Q Have the objectives for introducing Quality Assurance been achieved?
A All registered Services state that the objectives have been met.
15. Q Do you see Quality Assurance playing a role in your future tendering strategy?
A All registered Services state "Yes".
16. Q If yes, what part do you see Quality Assurance playing?
A Extend/expand Quality Assurance System to gain similar benefits elsewhere.
17. Q If no, give the reasons (*value for money, additional paperwork*).
A One Service only considers Q.A. costs, etc. are likely to be greater than benefits.

See attached lists for further information.

COMPETITIVE AND TECHNICAL STRATEGY SECTORREPORT ON QUALITY ASSURANCE SYSTEMSQ.A. FOCUS IMPROVEMENT TEAMINTRODUCTION

This report has been prepared for the Corporate Manager, Competitive and Technical Strategy Sector. It outlines the status of Quality Assurance Systems within the Sector and makes recommendations on the future approach to systems development and other Quality Assurance issues.

The information has been compiled from questionnaires completed by all Services within the Sector and from discussions amongst the Focus Improvement Team set up to address various Quality issues, in particular, the registration of Services to ISO 9000 Standard. (A copy of the FIT Charter, Summary of Responses and an Analysis of Questionnaire Responses, are shown in Appendices A, B and C respectively).

PRESENT POSITION

There are five of the Services within the Sector registered to ISO 9000 Standard:

I.	Grounds Maintenance - Crematorium	ISO 9002
II.	Roads DLO - Road Marking & Signs Manufacture	ISO 9002
III.	Cleansing & Waste Management - Skip Hire	ISO 9002
IV.	Domestic Services - School Meals & Building Cleaning	ISO 9002
V.	Roads Service - Design of Roads, Structures, Harbours & related activities including: Construction Monitoring, Topographical Surveys, Site Investigation, Lighting & Construction Consents of the remaining services.	ISO 9001

The status of the remaining Services is as follows:

- VI. Transport Services - Although not ISO 9000 registered, requires to have some form of Quality Assurance System in place by April 1997 in order to satisfy the terms and conditions of the East of Scotland Water contract.
- VII. Property Services - Intend to re-examine the work undertaken by Fife Regional Council's Property Department which was apparently on the verge of applying for registration but, because of local government reorganisation, left this in abeyance. Progress towards ISO 9000 registration is not likely to proceed, however, until the functional problems inherent in what is an aggregating Service have been addressed.
- VIII. Supplies and Printing Service - The intention is to ensure that Quality Systems are up to ISO 9000 Standard but not to seek registration as there is, as yet, no requirement under CCT legislation.
- IX. Building Operations - Similar to Property Services in that this is an aggregating Service with all the inherent problems that entails. Will not seek to move towards ISO 9000 in the immediate future but would welcome advice and assistance from the expertise and experience available within other Services if and when they do not decide to progress

CONCLUSION

The representatives on the Focus Improvement Team concluded the following:

The Services listed I. to V. above wish to retain their existing ISO 9000 registration and where appropriate expand and extend the scope of the registration to cover other parts of their Service.

Transport Services requires to attain ISO 9000 Standard by 1st April 1997 to satisfy the terms and conditions of the East of Scotland Water contract and intends to seek registration by that date.

Services VII, VIII and IX intend to progress toward ISO 9000 Standard when appropriate to do so.

All representatives would welcome the opportunity to liaise with one another and, when required, have access to assistance and advice on a range of Quality issues including: internal/external audits, systems development, etc., from the expertise and qualified personnel already available within the Council.

RECOMMENDATIONS

It is recommended that the Focus Improvement Team formed to address Quality Assurance within the Competitive and Technical Strategy Sector continue. The mix of the Team may change, however, depending upon the specific Quality issues to be addressed. Decisions on the mix should be left up to the Team.

The remit(s) for the Team to be drawn up in the form of a FIT Charter(s) and to encompass the following:-

The development of Quality Assurance Systems throughout the Sector including ISO 9000 registration.

The establishment of a Quality Assurance Network to enable those with an interest in the subject to link into for advice and assistance.

The review of the way in which Internal Quality Audits are carried out including frequency, who does what, how these can be handled in the future, etc.

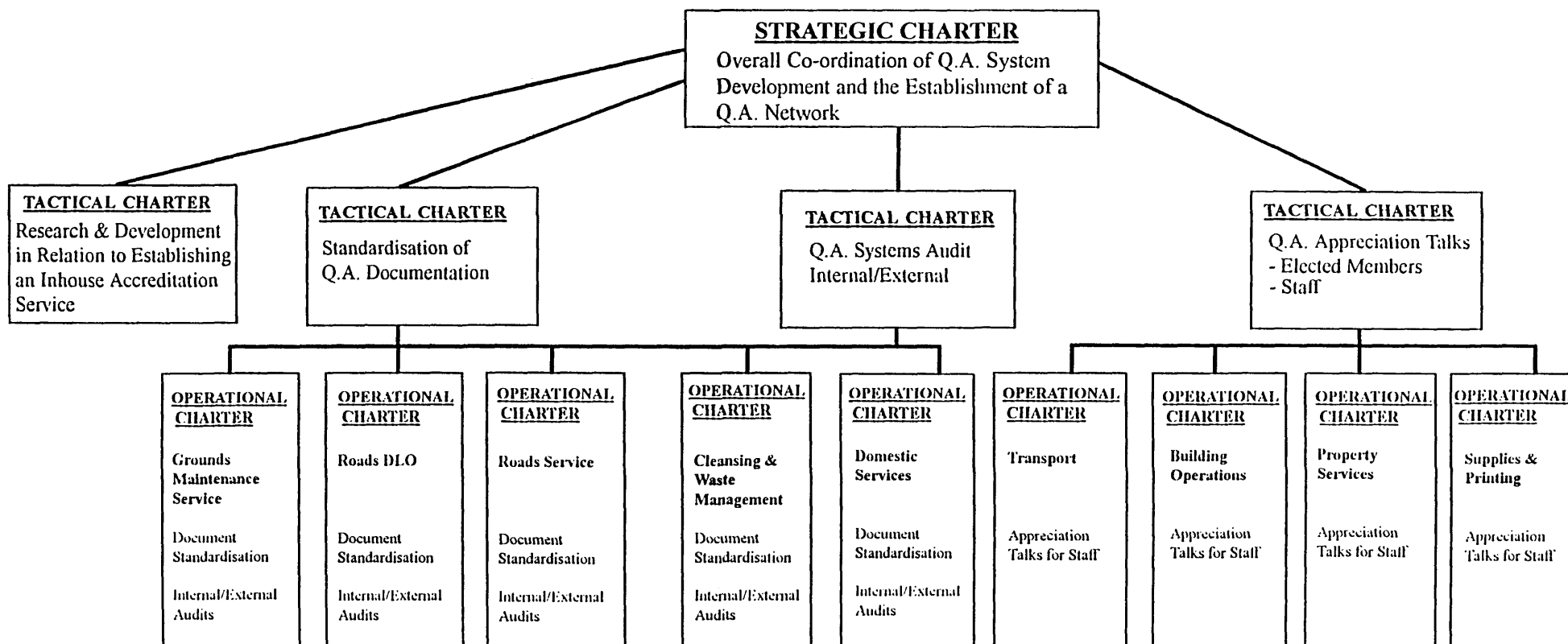
The review of existing Accreditation bodies (BSI Quality Assurance and S.G.S. Yarsley ICS Ltd.) with a view to establishing if one Accreditation body could provide registration for all Services within the Sector - thus providing an opportunity for savings through economies of scale.

In the longer term, consider the feasibility of establishing an in-house Accreditation service for ISO 9000 which would satisfy the requirements of Corporate Procurement, Fife Council and ultimately UKAS (United Kingdom Accreditation Service). The expertise is available within the Council and the venture would provide significant economies for all Services within the Sector.

COMPETITIVE AND TECHNICAL STRATEGY SECTOR

FIT CHARTERS FOR QUALITY ASSURANCE SYSTEM DEVELOPMENT

FIT CHARTERS



FIT Charter

Project Name and Purpose:

To draft a reference manual of Quality Assurance Documentation for use within the Competitive and Technical Strategy Sector. To standardise documentation which will assist the implementation of Quality Systems.

Project Boundaries:

Starting Point: Consider existing Quality Assurance Documentation currently in use within the Competitive and Technical Strategy Sector.

Ending Point: Compile a comprehensive Q.A. documentation Manual for use within Competitive and Technical Strategy Sector.

Project Sponsor: Graeme Dickson, Grounds Maintenance Manager.

Responsibilities:

1. Provide Project Owner with required resources.
2. Agree upon check points and monitor team progress.
3. Develop and encourage support for the project at all levels within the organisation.
4. Liaise with the Chairman and members of the Commercial Services Management Committee.

Project Sponsor Expectations (i.e. targets, constraints, budgets, milestones, team members' time commitments): Team members time commitment 3 hours per week.

Phase I - Collect all current Q.A. Documentation used within the Competitive and Technical Strategy Sector by 27.6.97.

Phase II - Collate all documentation, consult interested parties and review relevant forms - 28.7.97.

Phase III - Present findings of Review to Q.A. Strategic Focus Improvement Team.

Phase IV - Draft reference Quality Manual - 8.8.97.

Phase V - Draft reference documentation - 10.9.97.

Phase VI - Draft a reference manual of Quality Assurance Documentation - 25.10.97.

Project Owner: Stewart Stones, Quality Assurance Officer.

Responsibilities:

1. Lead team ensuring targets are met.
2. Regularly update the Project Sponsor on team progress.
3. Communicate and co-ordinate team's work with key personnel not on the team.
4. Report progress to the Quality Assurance Strategic Focus Improvement Team.

Representation From:

Cleansing & Waste Management
Grounds Maintenance
Property Services
Roads Services
Supplies & Printing
Transport

Team Members:

Alan Arbuthnott
Stewart Stones
Matthew Price
Peter Corbett
Ann Burns
Rob McLachlan

Responsibilities:

1. Attend meetings.
2. Provide professional input to the project and advise on current practice.
3. Fully participate and contribute to the working of the team.

Facilitator: David Irvine, Management Services.

Responsibilities:

1. Plan meetings with Project Owner.
2. Attend all meetings.
3. Provide advice and guidance on planning and control.
4. Provide advice and guidance on problem solving and diagnostic techniques.

QUALITY ASSURANCE DOCUMENTATION

F.I.T. TACTICAL CHARTER

FORWARD PLAN

MAIN TASKS / ACTIVITIES	Week Commencing 2.6.97	Week Commencing 9.6.97	Week Commencing 16.6.97	Week Commencing 23.6.97	Week Commencing 30.6.97	Week Commencing 7.7.97	Week Commencing 14.7.97	Week Commencing 21.7.97	Week Commencing 28.7.97	Week Commencing 4.8.97	Week Commencing 11.8.97	Week Commencing 18.8.97	Week Commencing 25.8.97
C & T S Committee Meeting													
Q.A. Strategic													
Q.A. Tactical													
Collect Documentation													
Collate Documentation													
Evaluate Documentation													
Draft Quality Manual													
<u>FORMS</u>													
Identify Core/Essential													
Draft Core/Essential													
Identify Specific													
Draft Specific													
Compile Manual													

QUALITY ASSURANCE DOCUMENTATION

F.I.T. TACTICAL CHARTER

FORWARD PLAN

MAIN TASKS / ACTIVITIES	Week Commencing 1.9.97	Week Commencing 8.9.97	Week Commencing 15.9.97	Week Commencing 22.9.97	Week Commencing 6.10.97	Week Commencing 13.10.97	Week Commencing 20.10.97	Week Commencing 27.10.97	Week Commencing 3.11.97	Week Commencing 10.11.97	Week Commencing 17.11.97	Week Commencing 24.11.97	Week Commencing 1.12.97
C & T S Committee Meeting													
Q.A. Strategic													
Q.A. Tactical													
Collect Documentation													
Collate Documentation													
Evaluate Documentation													
Draft Quality Manual													
<u>FORMS</u>													
Identify Core/Essential													
Draft Core/Essential													
Identify Specific													
Draft Specific													
Compile Manual													

APPENDIX O₂ (Cont)

Competitive and Technical Strategy Sector

Quality Assurance

Sector Register and Q.A. Network (Inc. ISO 9000 Registration).

<u>Contents</u>	<u>Page</u>
Outline of Services	3
Quality Representatives	4 - 5
Lead Auditors/Assessors and Internal Auditors	6
Registration and Scope	7
Accreditation Bodies	8
BSI	
SGS Yarsley ICS Ltd.	
Audit Dates (External/Internal)	9
Management Services Q.A. Unit	10
List of Lead Auditors/Assessors and Internal Audits	
Service Details	
Grounds Maintenance	11
Roads DLO Service	12
Roads Service	13
Cleansing and Waste Management	14
Domestic Services	15
Transport Services	16
Building Operations	17
Property Services	18
Supplies and Printing	19

QUALITY AWARENESS
AND
FIT CHARTER APPRECIATION
FOR
ELECTED MEMBERS AND HEADS OF SERVICE
COMPETITIVE AND TECHNICAL STRATEGY SECTOR

Tuesday 25 November 1997 at 10:00 a.m. and Wednesday 26 November 1997 at 2:00 p.m., both sessions to be held in Committee Room 2,

PROGRAMME

<u>Tuesday</u>	<u>Wednesday</u>	
10:00 a.m.	2:00 p.m.	Introduction. Quality - What is it? The Cost of Quality - Quality Iceberg. The Quality Maze - QC, QA, TQM, EFQM. Quality and The Council. Quality and Customer Focus.
11:00 a.m.	3:00 p.m.	Coffee. FIT - What is it? FIT Charters - Examples. Team Working - Systematic and Structured Approach. "Cascading" - Strategic, Tactical and Operational Charters. Benefits and Successes.
12:00 noon.	4:00 p.m.	Questions and Answers.
12:15 p.m.	4:15 p.m.	Close.

ANDREW MUIR
MANAGEMENT SERVICES

C & T S S QUALITY ASSURANCE NETWORK

COMPETITIVE AND TECHNICAL STRATEGY SECTOR

**GUIDANCE MANUAL FOR
QUALITY ASSURANCE DOCUMENTATION**FOREWORD

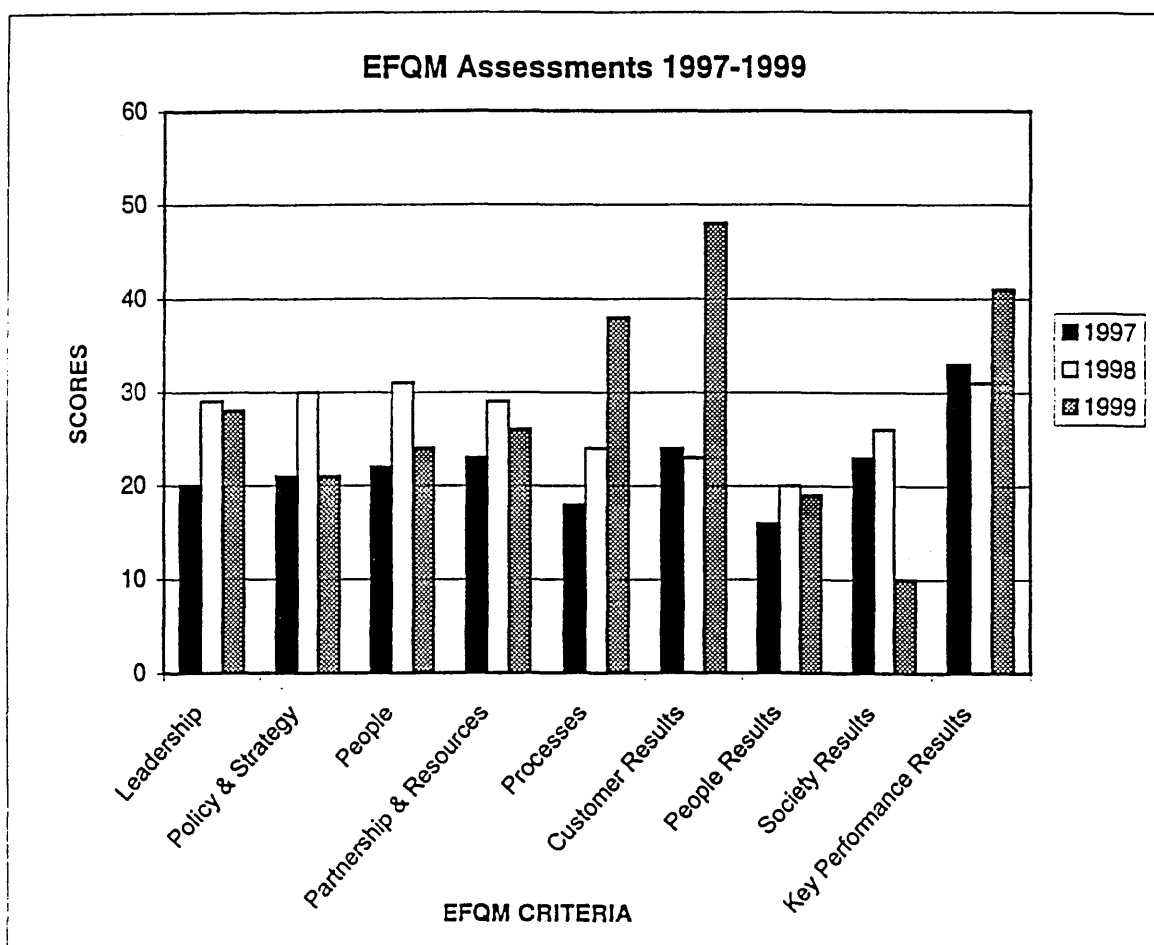
In September 1996, a Strategic Focus Improvement Team was established to investigate, assess and report upon the status of Quality Assurance systems within the Competitive and Technical Strategy Sector of The Council and to make recommendations on the future approach to Quality Assurance issues.

The Team, facilitated by Management Services, consisted of representatives from Grounds Maintenance, Roads Service, Supplies and Printing, Roads DLO, Domestic Services, Property Services, Transport, Cleansing and Waste Management and Building Operations.

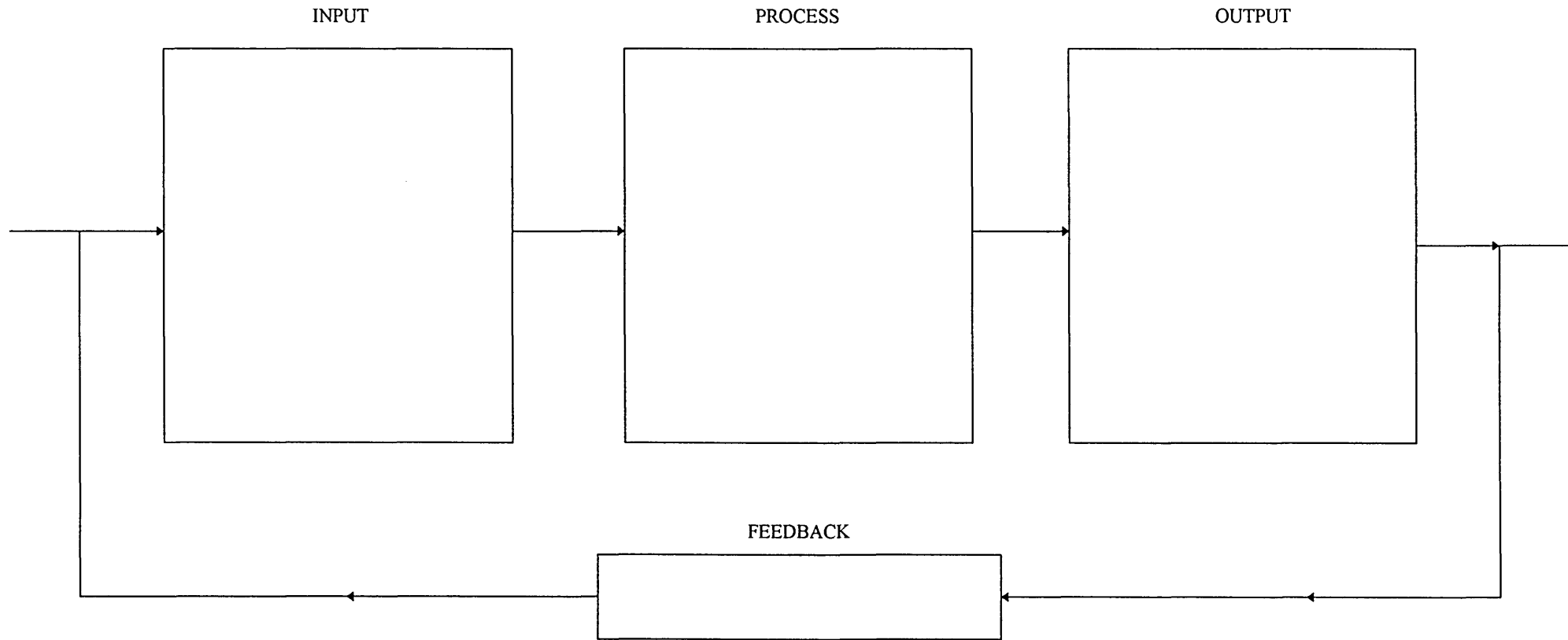
As a continuation to the work of this group, a Tactical Focus Improvement Team was subsequently established in May 1997 to undertake the preparation of a reference manual for Quality Assurance Documentation. This reference manual forms the outcome of this work and is intended to provide basic guidance to other Services wishing to implement a Quality Assurance Management System in accordance with the requirements of BS EN ISO 9001 : 1994.

The Council
EFQM Assessment 1999
1997 -1999

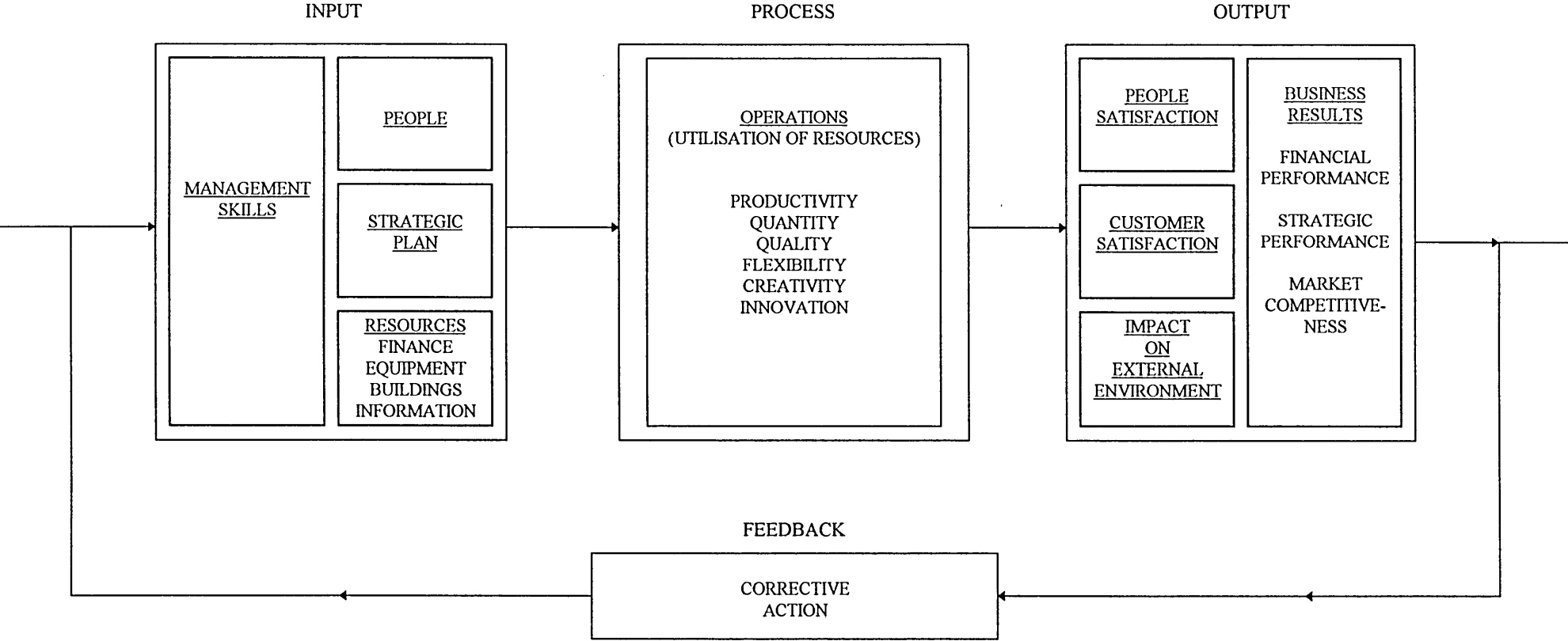
	1997	1998	1999
Leadership	20	29	28
Policy & Strategy	21	30	21
People	22	31	24
Partnership & Resources	23	29	26
Processes	18	24	38
Customer Results	24	23	48
People Results	16	20	19
Society Results	23	26	10
Key Performance Results	33	31	41
Total Score	200	243	255



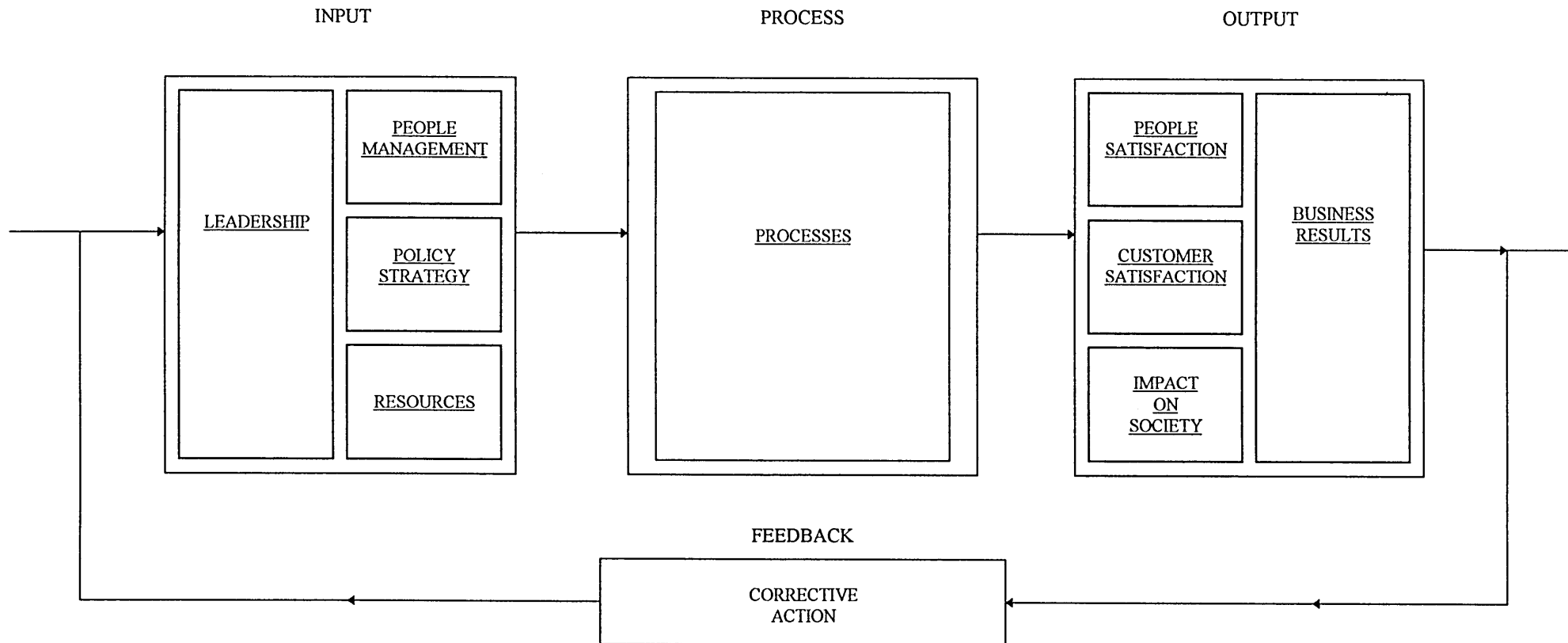
THE PERFORMANCE SYSTEM



THE PERFORMANCE SYSTEM



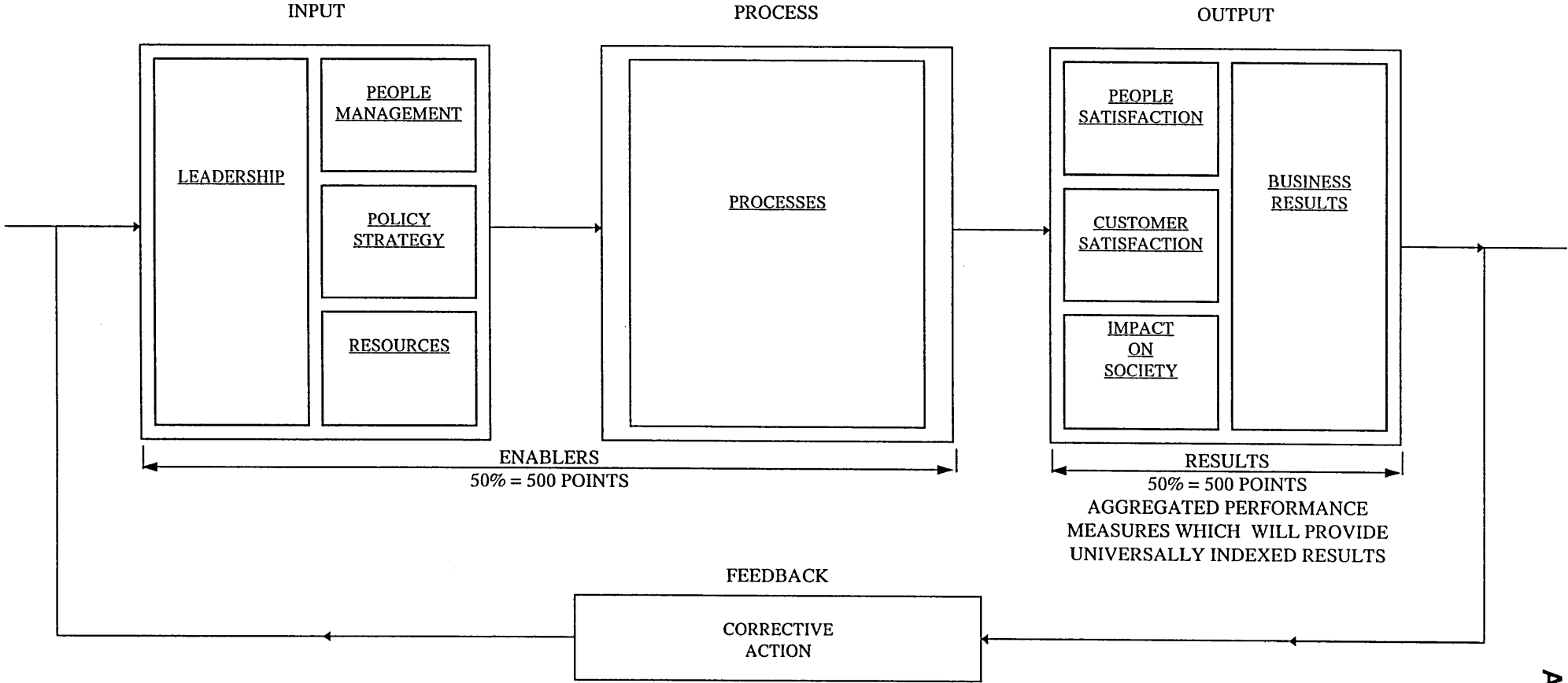
THE PERFORMANCE SYSTEM



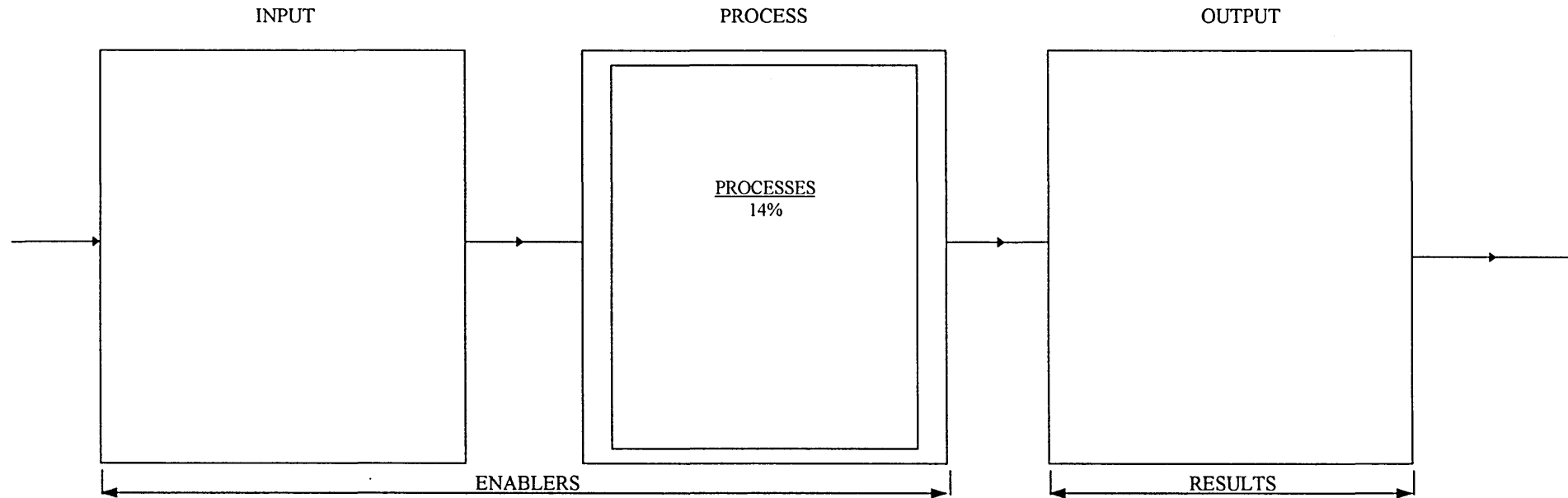
Managers' Perception of the Importance of Performance Indicators
Assessed on a scale 1 to 9 (9 Being the Most Important)

Performance Indicator Manager	Business Planning	Workload	Human Resources	Quality	Finance	Improvement Groups	Training and Development	New Products and Services	Vehicles and Equipment	TOTALS
Corporate	9	7	4	6	8	5	1	2	3	45
Roads Service	9	7	6	5	8	2	4	1	3	45
Supplies and Printing	7	8	6	4	9	2	3	1	5	45
Property Services	9	8	6	4	7	2	3	1	5	45
Roads DLO	7	8	6	5	9	3	1	2	4	45
Building Operations	7	8	6	5	9	2	1	3	4	45
Cleansing & Waste	6	8	7	4	9	1	3	2	5	45
Domestic Services	8	3	7	6	9	2	4	1	5	45
Transport Services	8	5	6	4	9	1	3	2	7	45
Grounds Maintenance	8	5	6	7	9	2	3	1	4	45
TOTALS	78	67	60	50	86	22	26	16	45	450

THE PERFORMANCE SYSTEM

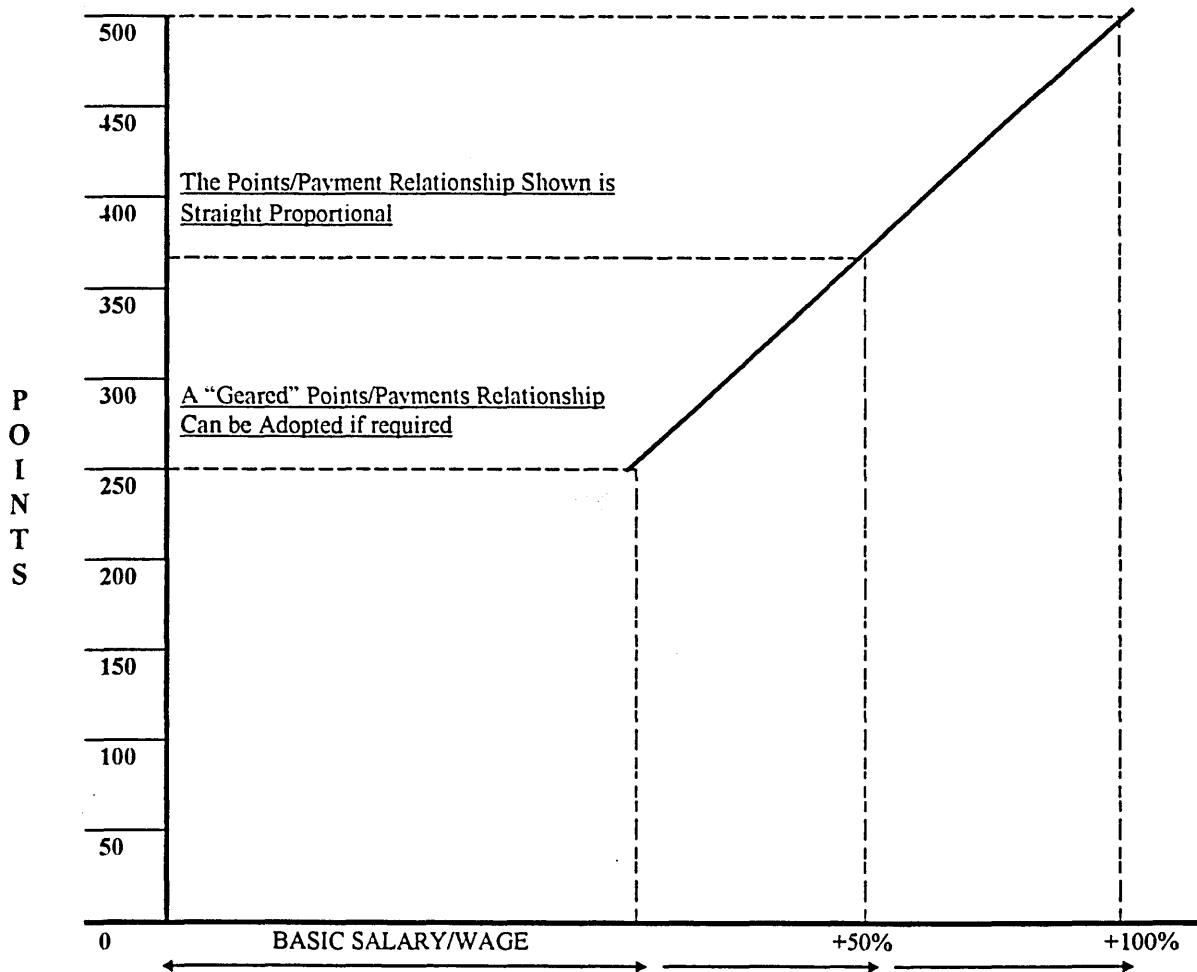


THE PERFORMANCE SYSTEM



THE FOCUS OF TRADITIONAL INCENTIVE BONUS SCHEMES WAS ON THE PROCESSES (AN ENABLER) WHICH IN THE MODEL REPRESENTS ONLY 14%. ANY REVISED REWARD STRUCTURE MUST BE BASED ON THE AGGREGATED PERFORMANCE MEASURES (TOTAL PERFORMANCE). THIS IN TURN WILL PROVIDE UNIVERSALLY INDEXED RESULTS (PERFORMANCE LEAGUE TABLE) FOR ALL ORGANISATIONS WHICH USE THE MODEL.

REWARD STRUCTURE
BASED ON
AGGREGATED PERFORMANCE MEASURES
AND
UNIVERSALLY INDEXED RESULTS
USING THE
EUROPEAN FOUNDATION FOR QUALITY MANAGEMENT (E.F.Q.M.) MODEL



(EVERY 2½ POINTS INCREASE ABOVE 250 REPRESENTS A 1% INCREASE IN PAYMENT ON BASIC SALARY/WAGE)

NB

WHILST IN THEORY THERE IS AN OPPORTUNITY FOR EVERYONE IN THE ORGANISATION TO DOUBLE THEIR SALARY, EVIDENCE SHOWS THAT THE TOP ORGANISATION (E.F.Q.M. AWARD 1992/1993) ACHIEVED 375 POINTS ON THE RESULTS INDEX (EQUIVALENT TO 50% INCREASE IN SALARY ON THE GRAPH) AND THE TOP ORGANISATION (QUALITY SCOTLAND FOUNDATION AWARD 1994) ACHIEVED 340 POINTS (36% INCREASE). THERE WOULD APPEAR THEREFORE TO BE LITTLE CHANCE OF EVER ACHIEVING MAXIMUM PAYMENT EVEN FOR THOSE ORGANISATIONS CONSIDERED TO BE "WORLD CLASS".

E.F.Q.M. MODEL

“DASHBOARD” INDICATORS.

THE ORGANISATION’S KEY PERFORMANCE INDICATORS (KPI’S).

OUTPUT= 50% OF MODEL = 500 POINTS:

CUSTOMER SATISFACTION (CS)	= 20% = 200.
BUSINESS RESULTS (BR)	= 15% = 150.
PEOPLE SATISFACTION (PS)	= 9% = 90.
IMPACT ON SOCIETY (I on S)	= 6% = 60.

INDICES RE. BUDGET OR FORECAST, MONTHLY OR QUARTERLY.

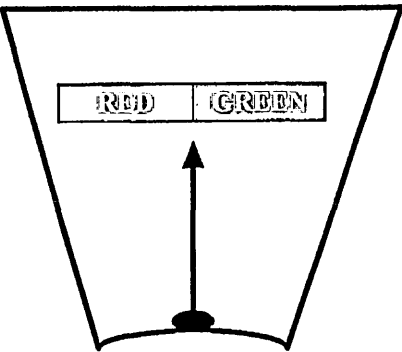
USING F.A.C.E. SELF ASSESSMENT, SAY POLICY/STRATEGY SETS THE FOLLOWING TARGETS/OBJECTIVES/MILESTONES. ACTUAL OUTCOMES CAN BE SHOWN AGAINST THESE AS AN INDEX. THEY CAN ALSO BE BENCHMARKED AGAINST WORLD-CLASS ORGANISATIONS (MAXIMUM POSSIBLE) IN THE SAME WAY.

KPI	TARGETS	ACTUALS	INDEX (100)	WORLD CLASS (MAX)	INDEX (100)
CS	12%	10%	83	20%	50
BR	10%	11%	110	15%	73
PS	7%	6%	86	9%	66
I on S	3%	4%	133	6%	50

INDEX COLOUR CODED

INDEX PRINTED IN BLACK (I.E. TYPED).
RESULTS BELOW 100 IN RED (I.E. BELOW TARGET).
RESULTS 100 OR ABOVE, GREEN (I.E. ON OR ABOVE TARGET).

PICTORIAL INDICATORS (DASHBOARD)



RED	AVERAGE	GREEN
DANGER!	WORKING TOLERANCE.	OK!

DLO/DSO RESULTS - YEAR ENDED 31 MARCH 1998 - UNAUDITED

ALL FIGURES £'000 - DEFICITS IN BRACKETS

ncil

The Council

The Other Council

DLOs		DSOs								Total
Building Maintenance Note 1	General Highways Note 2	Refuse Collection Note 3	Building Cleaning	Street Cleaning	School Catering Note 4	Other Catering Note 4	Leisure Management	Ground Maintenance	Vehicle Maintenance	
453	530	309	6		38	94	423	208	55	2116
(129)	(708)	309	(42)		(324)		(4)	62	65	(771)
		148	70	20			193	24	18	473
(363)	364	0	60	1		2	0	48	9	121
175	36	5	2	18		10	2	59	46	353
124	(548)	48	1			3		112	(53)	(313)
40		112	45				133	43		373
(2241)	(308)	(151)	(245)	4		354	(44)	182	(148)	(2597)
(267)	172	48	4		63		148	111	7	286
(93)	181	148	(46)	24	(39)		39	5	6	225
75	2	5	20	6		36	154	4	17	319
521	274	621	(259)	675	(689)		85	83	(632)	679
(93)	(23)	30	2	27	14	6	206	157	10	336
1665	920	527	82		53	1	435	1177	14	4874
5000	158	812	(46)	730	(172)	(1)	1157	1971	241	9850
249	24	7	102	198	209		20	69	226	1104
(319)	(152)	(29)	87	(12)		(113)	366	(68)	27	(213)
76	64	62	55			14	275	210	37	793
39	306	0	4	4		(117)		107	48	391
(437)	(80)	58	(119)		(115)		406	(87)	55	(319)
(2305)	(2361)	186	38			(234)	92	159	253	(4172)

DLO/DSO RESULTS - YEAR ENDED 31 MARCH 1998 - UNAUDITED

ALL FIGURES £' 000 - DEFICITS IN BRACKETS

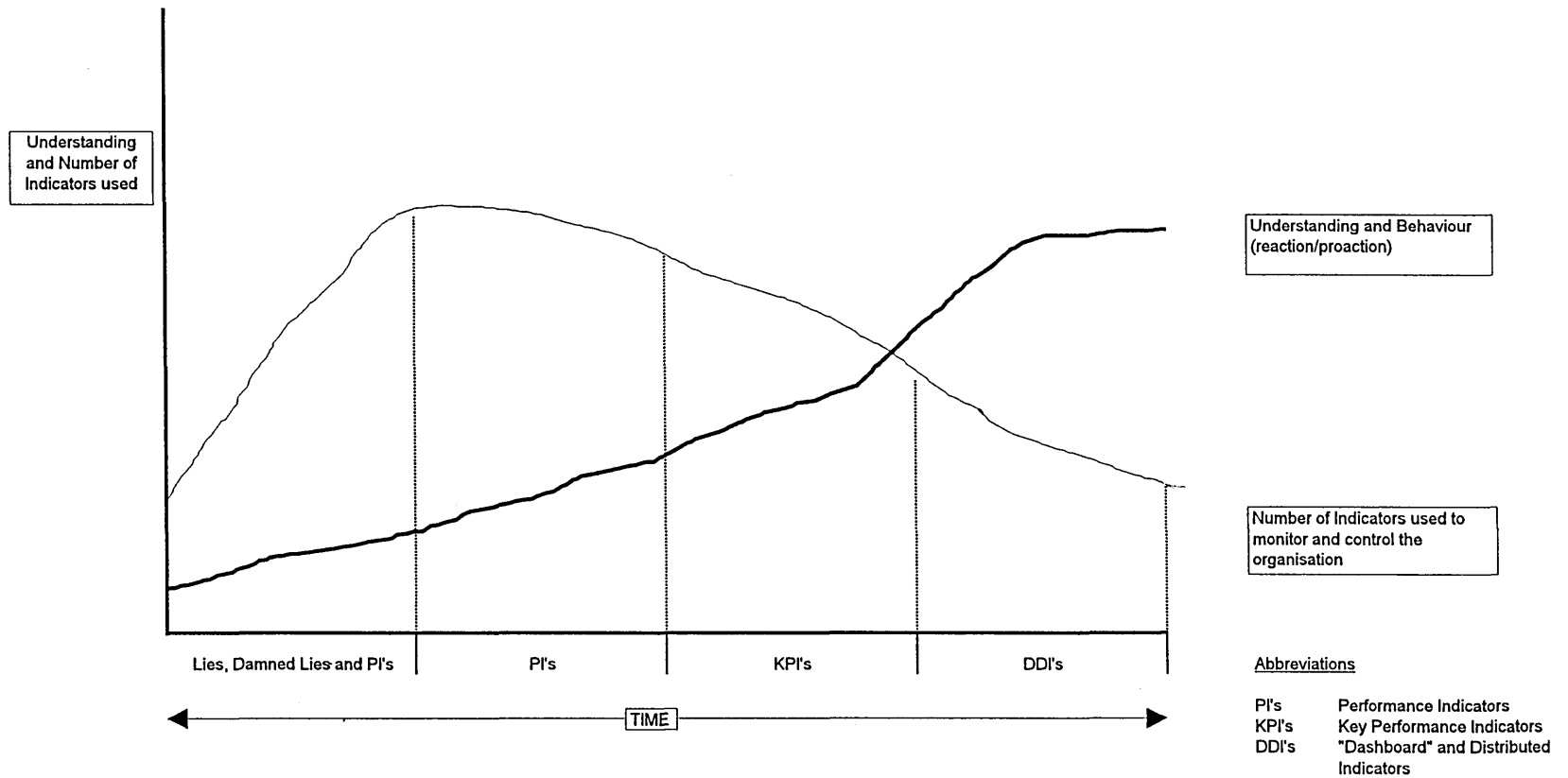
Council

DLOs		DSOs								Total
Building Maintenance Note 1	General Highways Note 2	Refuse Collection Note 3	Building Cleaning	Street Cleaning	School Catering Note 4	Other Catering Note 4	Leisure Management	Ground Maintenance	Vehicle Maintenance	
157	175	12	67	115		16		4	34	580
(787)		47						171		(569)
573	4	28	13	46	29	2	4	545	63	1307
69	318	20	40	121		(6)	243	315	30	1150
159	22	80	20	39	36			47	44	447
38	6	67	4			1	21	5	21	163
138	445	54	138	12	87		645	46	78	1643
(368)	(639)	9	33	1	(15)		33	35	135	(776)
465	98	39	23	166		67	31	356	40	1285
237	243	3	0	22		19	1	17	105	647
59	13	45	0	12		0		3	2	134
2	137		309			104			37	589
										20508

Notes

- 1) may include new construction work
- 2) may include trunk road work
- 3) may include street cleaning
- 4) may include school/other catering

Graphical Representation of the Development of a Performance Management Culture



SEMI-STRUCTURED INTERVIEWS

QUESTIONNAIRE - KEY QUESTIONS AND RESULTS

Use of performance indicators (where 1 is not important and 4 is very important)

PERFORMANCE	INDICATOR	1996 %/Mean	1997 %/Mean	1998 %/Mean	1999 %/Mean
1 Finance					
	Various ratios on service-wide basis.	100%	100%	100%	100%
	Major problems with IT systems.	100%	50%	33%	33%
	Historical comparison, trend analyses, forecasting.	66%	100%	100%	100%
	Critical for managing the service.	4.00	4.00	4.00	4.00
	Helping to motivate staff.	2.33	3.93	3.93	4.00
2 Workload					
	Plan Vs Actual - Forward Plan for next year.	66%	100%	100%	100%
	Forward Plan for medium to long term.	16%	33%	83%	83%
	Major problems getting information. from client.	50%	33%	66%	50%
	Capacity Planning (limited use).	66%	100%	100%	100%
	Critical for managing the service	3.00	3.83	3.50	3.50
	Reporting to senior management, elected members.	2.66	3.16	3.16	3.50
	Keep staff informed at all levels.	1.66	3.66	3.33	3.00
3 Human Resources					
	Number of employees and categories & ratios.	100%	83%	100%	100%
	Turnover statistics.	0%	66%	100%	100%
	Sickness statistics.	33%	100%	100%	100%
	Accidents (days lost).	100%	100%	100%	100%
	Type of accidents.	33%	33%	100%	100%
	Training and Development.	66%	66%	100%	100%
	Historical Comparison and Manpower Planning.	33%	100%	100%	100%
	Managing service.	2.66	3.50	3.66	4.00
	Reporting to senior management, elected members.	2.33	3.00	3.33	3.50
	Keeping staff informed at all levels.	1.50	3.16	3.50	3.50
4 Vehicles and equipment utilisation handled by Transport Service					
	Numbers and type.	100%	100%	100%	100%
	Historical Comparison.	50%	66%	100%	100%
	Forecasting and future projections.	33%	50%	100%	100%
	Replacement Policies.	16%	50%	100%	100%
	Managing service, reporting to: senior mgt.	2.00	3.00	3.33	3.33
	elected members.	2.17	2.50	2.16	3.00
	Helping to motivate staff.	2.33	3.00	3.16	3.16

PERFORMANCE	INDICATOR	1996 %/Mean	1997 %/Mean	1998 %/Mean	1999 %/Mean
5	Quality				
	Customer complaints.	66%	66%	100%	100%
	Customer surveys.	0	33%	100%	100%
	Workmanship - inspections and checks.	66%	33%	66%	83%
	Rectification costs.	33%	50%	83%	83%
	ISO Quality Assurance Registration.	66%	66%	83%	83%
	Historical comparison.	0%	83%	100%	100%
	Forecasting.	0%	35%	66%	66%
	Identify material faults, training needs, etc.	16%	66%	100%	100%
	Managing service (very important).	3.33	3.33	3.66	3.66
	Reporting to senior mgt, elected members.	2.50	2.83	3.16	3.50
	Keeping staff informed.	2.00	3.33	3.50	3.50
6	Supplementary factors				
	Significant improvements.	33%	50%	100%	100%
	Improvement team initiatives.	66%	83%	100%	100%
	Ideas implemented.	33%	33%	100%	100%
	Business planning process.	66%	83%	100%	100%
	Managing service.	1.33	3.00	3.00	3.16
	Reporting to senior mgt, elected members.	1.33	2.83	2.83	3.00
	Helping staff at all levels.	1.66	3.00	2.83	3.50
7	Performance measures				
	More about future than past.	2.83	4.00	4.00	4.00
8	Need for a balanced set of indicators.				
	Need for a balanced set of indicators.	2.83	4.00	4.00	4.00
	Financial measures still critical.	4.00	3.50	4.00	4.00
9	Profit and Loss still critical.				
	Profit and Loss still critical.	4.00	4.00	4.00	4.00
10	Important for establishing business/service strategy.				
	Important for business strategy.	2.66	3.50	3.83	4.00
	Important for establishing targets.	2.83	3.83	3.83	3.83

PERFORMANCE	INDICATOR	1996 %/Mean	1997 %/Mean	1998 %/Mean	1999 %/Mean
11	Important for influencing behavioural change.				
	Influencing behavioural change.	2.83	3.50	3.33	4.00
	Corrective action if not met.	2.83	3.83	3.33	3.50
12	Some increase while others decrease.				
	Some increase/others decrease - not sure.	83%	83%	83%	83%
	Think all PI's are important.	3.00	3.50	3.83	4.00
The following are Likert scale 1-5, where 5 is strongly agree.					
13	Disseminating PI's helps empowerment.				
	Disseminating PI's helps empowerment.	2.33	3.66	4.00	4.00
14	Performance measures are the 'dials' on the business control panel.				
	Performance measures are the 'dials' on the business control panel.	3.50	3.66	3.83	3.83
The following scale is Yes = 3, Not Sure = 2, No = 1.					
15	Intend to increase the use/number of Performance Measures in future.				
	Intend to increase the use/number of Performance Measures in future.	2.00	2.00	1.50	1.00
16	Intend to use Performance Measures for reward payments.				
	Intend to use Performance Measures for reward payments.	2.33	2.33	2.66	2.66
17	Do you have any confidence in the reward system used at present? If not, why not?				
	Do you have any confidence in the reward system used at present? If not, why not? Time-consuming, difficult to manage.	2.50	2.16	2.00	2.50
18	If there was a reward system that was directly related to organisational performance would you use it?				
	If there was a reward system that was directly related to organisational performance would you use it?	2.50	2.66	2.50	2.50
19	What do you consider to be a realistic maximum payment for a reward system?				
	What do you consider to be a realistic maximum payment for a reward system?	Ave 33%	Ave 38%	Ave 37%	Ave 36%
20	Additional comments: Information unsound because of poor systems.				
	Still have poor systems.	66%	50%	50%	33%
Best Value	Best Value?	-	-	100%	100%

PERFORMANCE	INDICATOR	1996-1999 Variation	COMMENTS/OBSERVATIONS
11	Important for influencing behavioural change.		
	Influencing behavioural change.	+1.17	All now agree behaviour is changed
	Corrective action if not met.	+0.66	Important for all
12	Some increase while others decrease.		
	Some increase/others decrease - not sure.	Nil	Perception not changed
	Think all PI's are important.	+1.00	All agree PI's are important
The following are Likert scale 1-5, where 5 is strongly agree.			
13	Disseminating PI's helps empowerment.		
	Disseminating PI's helps empowerment.	+1.66	All agree, but did not initially
14	Performance measures are the 'dials' on the business control panel.		
	Performance measures are the 'dials' on the business control panel.	+0.33	All agree
The following scale is Yes = 3, Not Sure = 2, No = 1.			
15	Intend to increase the use/number of Performance Measures in future.		
	Intend to increase the use/number of Performance Measures in future.	-1.00	All agree PI's to decrease
16	Intend to use Performance Measures for reward payments.		
	Intend to use Performance Measures for reward payments.	+0.33	Slight change in intention
17	Do you have any confidence in the reward system used at present? If not, why not?		
	Do you have any confidence in the reward system used at present? If not, why not? Time-consuming, difficult to manage.	Nil	No change in attitude
18	If there was a reward system that was directly related to organisational performance would you use it?		
	If there was a reward system that was directly related to organisational performance would you use it?	+0.50	Slight change in attitude
19	What do you consider to be a realistic maximum payment for a reward system?		
	What do you consider to be a realistic maximum payment for a reward system?	+3%	Average 35%
20	Additional comments: Information unsound because of poor systems.		
	Still have poor systems.	-33%	Systems improving
Best Value	Best Value?	+100%	Best Value critical to all

PERFORMANCE	INDICATOR	1996-1999 Variation	COMMENTS/OBSERVATIONS
5 Quality			
	Customer complaints.	+33%	Important for all
	Customer surveys.	+100%	Important for all, but not initially
	Workmanship - inspections and checks.	+17%	Important from Year One
	Rectification costs.	+50%	Important for all, but not initially
	ISO Quality Assurance Registration.	+17%	All registered except one
	Historical comparison.	+100%	Year One - no historical information
	Forecasting.	+66%	Increasingly important
	Identify material faults, training needs, etc.	+83%	Increasingly important
	Managing service (very important).	+0.33	Important - little change
	Reporting to senior mgt, elected members.	+1.00	Important for all, but not initially
	Keeping staff informed.	+1.50	Increasingly important
6 Supplementary factors			
	Significant improvements.	+66%	Important for all, but not initially
	Improvement team initiatives.	+33%	Important for all, but not initially
	Ideas implemented.	+66%	Important for all, but not initially
	Business planning process.	+33%	Important for all
	Managing service.	+1.83	Increasingly important
	Reporting to senior mgt, elected members.	+1.66	Increasingly important
	Helping staff at all levels.	1.83	Increasingly important
7 Performance measures			
	More about future than past.	+1.17	Important for all
8 Need for a balanced set of indicators.			
	Need for a balanced set of indicators.	+1.17	Important for all
	Financial measures still critical.	Nil	Important for all from Year One
9 Profit and Loss still critical.			
	Profit and Loss still critical.	Nil	Important for all from Year One
10 Important for establishing business/service strategy.			
	Important for business strategy.	+1.33	Important for all, but not initially
	Important for establishing targets.	+1.00	Targets and Target Profiles introduced

SEMI-STRUCTURED INTERVIEWS

QUESTIONNAIRE - KEY QUESTIONS AND RESULTS

Use of performance indicators (where 1 is not important and 4 is very important)

PERFORMANCE	INDICATOR	1996-1999 Variation	COMMENTS/OBSERVATIONS
1 Finance			
	Various ratios on service-wide basis.	Nil	Critical to all from Year One
	Major problems with IT systems.	-66%	IT problems reducing
	Historical comparison, trend analyses, forecasting.	+33%	Year One - no historical information
	Critical for managing the service.	Nil	Critical to all from Year One
	Helping to motivate staff.	+1.66	Considered important but not initially
2 Workload			
	Plan Vs Actual - Forward Plan for next year.	+33%	Considered important but not initially
	Forward Plan for medium to long term.	+66%	Considered important but not initially
	Major problems getting information. from client.	Nil	Half of DLO's/DSO's continue to have problems
	Capacity Planning (limited use).	+33%	Important for all but not from Year One
	Critical for managing the service	+0.50	Fixed workload for certain DLO's/DSO's
	Reporting to senior management, elected members.	+0.83	Important for all DLO's/DSO's
	Keep staff informed at all levels.	+1.33	Improving for some but not for all
3 Human Resources			
	Number of employees and categories & ratios.	Nil	Important for all from Year One
	Turnover statistics.	+100%	Considered important, but not initially
	Sickness statistics.	+66%	Considered important, but not initially
	Accidents (days lost).	Nil	Considered important from Year One
	Type of accidents.	+66%	Considered important, but not initially
	Training and Development.	+33%	Considered important, but not initially
	Historical Comparison and Manpower Planning.	+66%	Considered important, but not initially
	Managing service.	+1.33	Considered important, but not initially
	Reporting to senior management, elected members.	+1.17	Considered important, but not initially
	Keeping staff informed at all levels.	+2.00	Considered important, but not initially
4 Vehicles and equipment utilisation handled by Transport Service			
	Numbers and type.	Nil	Critical to all from Year One
	Historical Comparison.	+50%	Year One - no historical information
	Forecasting and future projections.	+66%	Year One - no historical information
	Replacement Policies.	+83%	Year One - no historical information
	Managing service, reporting to: senior mgt.	+1.33	Considered important, but not initially
	elected members.	+0.83	Considered important, but not initially
	Helping to motivate staff.	+0.83	Considered important, but not initially

SEMI-STRUCTURED INTERVIEWS

QUESTIONNAIRE - ANALYSES

<div>FACTOR</div> <div>CHANGES</div>	FINANCE	WORKLOAD	HR	VEH/EQUIP	QUALITY	SUPP. FACTORS
No Change From Year One						
Improving Factor - One Step						
Improving Factor - Two Step						
Improving Factor - Incremental						

<div>FACTOR</div> <div>CHANGES</div>	PERFORMANCE MEASURES	BALANCED SET OF INDICATORS	PROFIT AND LOSS	ESTABLISHING BUSINESS STRATEGY	INFLUENCE BEHAVIOUR	SOME INCREASE/ SOME DECREASE	HELPS EMPOWERMENT
No Change From Year One							
Improving Factor - One Step							
Improving Factor - Two Step							
Improving Factor - Incremental							

<div>FACTOR</div> <div>CHANGES</div>	DIALS OF BUS. CONTROL PANEL	INCREASE NUMBER IN FUTURE	USE FOR REWARD SYSTEM	CONFIDENCE IN REWARD SYSTEM	USE NEW REWARD SYSTEM	MAXIMUM PAYMENT	OTHERS	
							IT	BV
No Change From Year One								
Improving Factor - One Step								
Improving Factor - Two Step								
Improving Factor - Incremental								

Key: No Change From Year One - Constant Response
 Improving Factor - One Step - One improvement then constant
 Improving Factor - Two Step - Two improvements then constant
 Improving Factor - Incremental - Year on Year Improvement

Is your idea for saving money? ☐

Is your idea for increasing income? ☐

What is your idea?

Description of idea...

You can attach a drawing or additional information if necessary

SEND TO:
BEST IDEAS
MANAGEMENT SERVICES

Recognition

The ideas will be considered as part of the overall budget setting process. Ideas which are formally adopted by the Council in March, 1998 will receive the monetary awards as set out in the chart overleaf. Monetary awards will be made in April, 1998. Everyone who has put forward an idea will be informed about its progress.

Remember, any employee can submit a suggestion on any area of Council work, whether it is specific to one Service or makes savings right across the Council. Ideas can be submitted by individuals or teams either in writing or over the Helpline on...

F/N 700 3991

The closing date for suggestions is the end of September 1997.

The BEST

Budget Employees Savings Targets

The BEST scheme aims to involve every Council employee in finding innovative budget savings ideas. Suggestions can be made by any employee on any area of Council activity. The suggestion can either save money or increase income. All ideas will be carefully considered and all practical ideas will be put into effect.

How the BEST Scheme Works

Will your idea **save money?** - We want to hear it!

Will your idea **increase income?** - We want to hear it!

Before sending in an idea, you should consider the following points:-

Does your suggestion propose a solution and not just describe a problem?

Is your suggestion positive and realistic?

If you're not sure about any of these points, call the Helpline and we'll give you some advice on where you can get more information.

Submitting Ideas

You can send your ideas on the attached form or call the employee Helpline on F/N **700 3991** for help in submitting your suggestions.

Please submit your suggestions by the end of September.

Awards And Employee Recognition

If your suggestion is accepted, you'll receive both recognition and a monetary award as follows:-

Award	Savings/Income
£500	above £20,000
£250	£10,000 - £20,000
£100	£5,000 - £10,000
£25	£250 - £5,000
Awards will be presented to individuals or teams	

Evaluation

All ideas will be acknowledged within three working days and will be considered as part of the budget process. Services will help evaluate your suggestion to determine whether the savings or income proposal can realistically be achieved.

BEST

Budget Employees Savings Targets

Full Name

Service

Section

Full Work Address

Daytime Phone No.



APPENDIX AE

THE COUNCIL

DLO'S/DSO'S

FINANCIAL YEAR END ADJUSTED SURPLUS/(DEFICIT)

	1996/97 £000	1997/98 £000	1998/99 £000
Highways Work			
Trunk Roads	23	17	2
Other Roads	(72)	903	405
New Construction			
> £50K	249	311	41
New Construction			
< £50K	98	168	8
Works of Maintenance	311	1,186	865
Catering	22	52	56
Building Cleaning	18	3	21
Upkeep of Grounds	21	1,177	335
Refuse Collection	569	527	189
Vehicle Repairs	46	14	190
Sports and Leisure	647	435	241
Non-Legislative Work	319	405	199
	3,360	5,279	2,954